

[return to home page](#)

This Week You Need To Know

Cheney and His Patsy, Bush, Face Impeachment Furor

by Jeffrey Steinberg

"*Impeach, impeachment, and impeachable* are words now back in prominent usage, as the result of the antics of Dick Cheney and his patsy, George W. Bush," Lyndon LaRouche commented on Dec. 22. LaRouche was referring to the firestorm of Congressional and judicial reactions to the Vice President's openly totalitarian assertion that, as the result of the attacks of Sept. 11, 2001, there are no Constitutional limits on the power of the U.S. Presidency.

Cheney's defense of the right of the U.S. military and intelligence agencies to kidnap and torture suspected terrorists had already triggered a bipartisan, bicameral revolt by the U.S. Congress against the Vice President (see *EIR* Dec. 23, 2005, "Cheney Is the Albatross Around George Bush's Neck"), when the *New York Times*, on Dec. 16, revealed that President Bush, under Cheney's influence, had signed a secret order, shortly after 9/11, authorizing the National Security Agency (NSA) to spy on American citizens, without first obtaining a warrant from the Foreign Intelligence Surveillance Court. The 1978 Foreign Intelligence Surveillance Act created the secret FISA court, to give judicial approval in those instances where surveillance of American citizens was warranted. In extreme cases, FISA provided the government with permission to conduct surveillance and receive retroactive authorization from the court, 72 hours after the fact.

The *Times* story singled out Vice President Cheney as the architect of the unconstitutional espionage program, noting that the first Congressional briefing on the NSA spying, took place in Cheney's office in early 2002. Confirming the *Times* account of Cheney's role, on Dec. 19, Sen. Jay Rockefeller (D-W.V.), the current ranking Democrat on the Senate Select Committee on Intelligence, released a letter that he handwrote to Dick Cheney on July 17, 2003, expressing his grave concerns over the NSA surveillance program, which he had been briefed on earlier in the day (see *Documentation*).

Two days after the *Times* story—which had been kept on hold for more than a year, under White House pressure—was published, President Bush delivered his weekly Saturday radio address, and launched into an unabashed defense of the NSA illegal, warrantless spying on Americans. In what was tantamount to a suicidal public confession of an impeachable offense, the President admitted: "In the weeks following the terrorist attacks on our nation, I authorized the National Security Agency, consistent with U.S. law and the Constitution [sic], to intercept the international communications of people with known links to al-Qaeda and related terrorist organizations.... This is a highly classified program that is crucial to our national security." ...

[...full article, pdf file](#)

Latest From LaRouche

More on Rohatyn

by Lyndon H. LaRouche, Jr.

Erbenheim, December 18, 2005

Reports on some European reactions to my "Tale of Two Bozos" [[See InDepth, this week](#)], say that some of the locals there complain that they do not understand the substance of my objections to Felix Rohatyn's latest scheme for luring and looting prospective investors. The problem is not that they do not understand; their problem is that, for special reasons, they do not wish to understand what should be quickly obvious to any intelligent and literate adult person.

The motive for those complaints, is, simply, that very few Europeans wish to know the fundamental difference between the American System of political-economy, which is based on a system of state credit, and European monetary systems, such as that of John Maynard Keynes, or the system of allegedly "honest money" proposed by the inherently dishonest, American traitor, fascist, and certified lunatic, Ezra Pound. Prevalent ideas about money and credit, throughout Europe today, remain crafted in Europeans' self-inflicted habit of following the Venetian tradition of usury. Therefore, they do not know that difference between a credit system and a monetary system, simply because they do not wish to know that difference.

I repeat: the problem is that the typical European, especially most among the professionally educated ones, either do not know, or do not wish to know, the difference between a system of productive credit, such as the American System, and those states of misfortune known as the current European ideas of a monetary system.

To make the relevant point clearer, this difference between American and European customs, also accounts for one of the principal reasons so many Europeans were lured into accepting the fascist economic systems which the Synarchist International's concert of private bankers installed on that continent during the 1922-1945 interval. So, Americans familiar with the rudiments of economic matters, have an instinctive aversion, as I do, and, apparently as former Federal Reserve Chairman Paul Volcker does, to the aromas of the Synarchist tradition at the center of all Rohatyn's more notable past and present schemes. Volcker and I disagree on some significant points of policy, but as cultured American professionals who know the American System, we quickly identify the Synarchist stench radiating from Rohatyn's schemes, as even educated Europeans usually prefer not to do....

[...full version, pdf file](#)

InDepth Coverage

Links to articles from

[Executive Intelligence Review](#), Vol. 32, No. 50

[*Requires Adobe Reader®.](#)

Feature:

Auto Reconversion Can Lead the Way To U.S. Recovery

by EIR Staff

In Spring 2005, economist/statesman Lyndon LaRouche publicly warned the U.S. Senate to prepare now to avoid the consequences of the forthcoming likely bankruptcy of General Motors Corporation. Not only the losses of jobs and homes, and effective bankruptcies of cities and counties, even states; worse, without the machine-tool design capability centered in the automotive (and aerospace) industry, the United States will be condemned to virtual 'Third World' status for at least a generation. This, amidst a world depression crisis which, like that of the 1930s, cannot be mastered except with the help of American world leadership.

Rebuilding the U.S.A.

Travel Among Cities

by Lyndon H. LaRouche, Jr.

Among the notable accomplishments of President John Quincy Adams, during his term as U.S. Secretary of State under President James Monroe, was his contribution to the elaboration of the future geography of our continental nation, as situated between the Atlantic and Pacific oceans, and our Canada and Mexico borders.

The Auto Industry Can Help Build New Nuclear Plants

by Marsha Freeman

The recent shift in economic policy by the leadership of the Democratic Party, toward a return to the approaches of Presidents Franklin Roosevelt and John F. Kennedy, poses the question: To rebuild the economy, what infrastructure projects must be at the top of the nation's agenda? First, are the immediate critical needs, such as the rebuilding of the ravaged Gulf Coast. Beyond that, the deficit in basic U.S. infrastructure, such as safe bridges and roads, and modern transportation and clean water systems, is in the trillions of dollars.

Building a High-Speed Railway Network

Earlier this year, Richard Freeman and Hal Cooper published a study on the requirements for upgrade of the heart of the U.S. rail system, in two phases, to electrified high-speed rail moving freight at about 100 mph, and then later to magnetically levitated rail, at upwards of 300 mph (EIR, June 10, 2005). They charted first the double-tracking and electrification of 26,000 route-miles, and then onwards to a total of 42,000 route-miles, the heart of the network, which carry 65% of our freight and 70% of our intercity passengers, although constituting only 29% of our total rail mileage.

Sales Drop, Strike Threat Leave Auto One Way Out

Auto sales in the United States for the first half of December fell by 14% from December 2004; this pointed to the fourth straight month of dismal sales after two months of 'incentive madness' sales in the Summer. The drop was again across the board, including the Japanese automakers: Despite launching a new round of discounts, GM's sales dropped 17%, Ford's sales plunged 25%, and Chrysler's fell 19%. Sales for Toyota slid 6%, Honda's declined 3%; while sales at Hyundai and Nissan fell 20% and 14%, respectively. Auto sales were also falling in Europe in 2004-05, in Japan from 2003-04, and even in China. This underlies the 'big league sports'-type hyping of a contest between GM and Toyota for 'Number 1'; they are debating over pieces of a pie which is shrinking because of a 'globalized' fall in real wages.

- **A Toll the Nation Can't Afford**

North American auto sales are falling for all producers, and the nation's largest auto and auto parts makers alone are carrying out or planning shutdowns of 47 plants with 62,000 production workers, from now to 2008. The facilities' workforces, sizes, and capabilities are given in Table 1...

National:

Cheney and His Patsy, Bush, Face Impeachment Furor

by Jeffrey Steinberg

'Impeach, impeachment, and impeachable are words now back in prominent usage, as the result of the antics of Dick Cheney and his patsy, George W. Bush,' Lyndon LaRouche commented on Dec. 22. LaRouche was referring to the firestorm of Congressional and judicial reactions to the Vice

President's openly totalitarian assertion that, as the result of the attacks of Sept. 11, 2001, there are no Constitutional limits on the power of the U.S. Presidency.

- **Documentation**

- **Administration Officials Defend Illegal Spying**

- **Cheney and DeLay, Joined at the Hip**

by Anton Chaitkin

No one should have been surprised when Dick Cheney rushed off to Houston to keynote the Dec. 5 fundraiser for Tom DeLay. An EIR investigation has revealed that the embattled Vice President and the indicted former House Majority Leader are virtually joined at the hip.

- **Cheney Suffers Setbacks As Congress Ends the Year**

by Carl Osgood

The last two weeks of the first session of the 109th Congress were marked by repeated setbacks for Vice President Dick Cheney, from the stalling of reauthorization of the policestate U.S.A. Patriot Act, to the elimination of authorization for drilling for oil in the Arctic National Wildlife Refuge in Alaska. Even cutting short a tour of Southwest Asia to fly back to Washington to browbeat the Senate, as he did on Dec. 21, did not enable Cheney to turn back the tide.

In Memoriam

Eugene McCarthy: He Acted To Restore Our Nation's Purpose

by Nina Ogden

On Dec. 10, Sen. Eugene J. McCarthy, the dear friend of Lyndon LaRouche and his movement, died peacefully in his sleep at the age of 89. In 2002, when he began to struggle with Parkinson's disease, McCarthy had reluctantly moved to a retirement home in the Georgetown neighborhood of Washington, D.C., which he typically referred to as a 'cruise ship on the River Styx.' It is truly poetic justice that Gene McCarthy's death has unleashed the image of the power of a youth movement challenging the legitimacy of an administration's unjust war.

The LaRouche Show

Art and Science: Charting the Course For the Post-Cheney Era

The LaRouche Show host Harley Schlanger welcomed Lyndon LaRouche, who spoke from Erbenheim in Germany, as his guest on Dec. 17, along with LaRouche Youth Movement panelists Riana St. Classis, Cody Jones, and Jason Ross. The LaRouche Show is archived at

www.larouchepub.com/radio/index.html

Economics:

HOW NOT TO BUILD A RECOVERY

A Tale of Two Bozos

by Lyndon H. LaRouche, Jr.

Dec. 13, 2005

The tale was told more or less as follows. During one of those occasional silly seasons which the French call revolutions, a revolting pair of academics were sipping beverages in a favorite cafe', while successive clusters of revolutionaries raced past the cafe' on the street outside. Suddenly, one of the pair in the cafe' stood upright, grabbing his hat, scarf, and coat, exclaiming: 'That is my revolution which just passed; I must go and lead it!'

More on Rohatyn

by Lyndon H. LaRouche, Jr.

Erbenheim, December 18, 2005

Reports on some European reactions to my 'Tale of Two Bozos,' say that some of the locals there complain that they do not understand the substance of my objections to Felix Rohatyn's latest scheme for luring and looting prospective investors. The problem is not that they do not understand; their problem is that, for special reasons, they do not wish to understand what should be quickly obvious to any intelligent and literate

adult person.

Britain's Economy: Going, Going . . .

by Mary Burdman

Like the rotten old house in Charles Dickens's Little Dorrit, the British economy is teetering. Last year's speculative frenzy in the housing market was apparently squashed in 2005, so now some are talking of housing prices going on 'crabwise'—but this cannot last for long. In reality, the situation is like that unreal morning in Dickens's book, after the great speculator Mr. Merdle's famous bank had already crashed, but none of the victims knew it yet. Now, the housing inflation bubble, the 'basis' of the whole crazy structure, is ready to go.

German Leaders Call For Reregulation

by Rainer Apel

All of a sudden, calls for state intervention into the economy have become popular in Germany, among leading politicians. The paradigm-shift in the United States, with increasing interest in the role of the state, after the Katrina disaster and in connection with the crisis in the automobile sector, has been noted by politicians in Germany. And the fact that the hardline neo-con faction failed to get a majority of votes in the national elections in September, so that a Grand Coalition of Christian and Social Democrats had to be formed, instead, also played a role, in creating a more pro-state environment here.

International:

Argentina, Brazil Pay Off Debt To IMF; Bankers Nervous

by Cynthia R. Rush

During the week of Dec. 11-17, the governments of Brazil and Argentina unexpectedly announced that they would pay off the balances owed the International Monetary Fund (IMF) before the end of this year. On Dec. 13, Brazilian Finance Minister Antonio Palocci told reporters that the Lula da Silva government would dip into its sizable \$63 billion in reserves to pay the \$15.56 billion it owed, noting this would save \$900 million in interest payments. Two days later, Argentine President Néstor Kirchner announced that he would also use Central Bank reserves to pay an outstanding balance of \$9.8 billion, saving \$1 billion in interest payments. While IMF Managing Director Rodrigo Rato nominally 'welcomed' both actions, he was decidedly unenthusiastic about Argentina's decision.

Israel

'The Guy Upstairs' Doesn't Take Polls

by Dean Andromidas

Since Histadrut Chairman Amir Peretz assumed chairmanship of Israel's Labor Party on Nov. 9, the country has been hit with one political earthquake after another. Peretz changed the agenda from Prime Minister Ariel Sharon's security and 'maybe' peace, to a clear and decisive call for negotiations for a real peace with the Palestinians, and a new socio-economic agenda that will give not just military security, but social security to the Israeli people.

Italy

The Flagellants of Val di Susa And the Danger of Bonapartism

by Claudio Celani

A popular upsurge has stopped the construction of a vital transport infrastructure link, the Turin-Lyon high-speed railway line, which is planned to connect Lisbon, Portugal to Kiev, Ukraine, running south of the Alps, as part of the 'Corridor 5' trans-European project. Although the suspension of the construction site is said to be only temporary, in expectation of clarifying alleged environmental issues, the development has to be seen in the context of growing European-wide 'Flagellanttype' mass movements, promoted and used by profederal oligarchical forces in a strategy to overthrow the institutions of the nation-state. As Lyndon LaRouche had forecast years ago, globalization is unleashing Jacobin mobs, which are used to justify the introduction of police-state, anticonstitutional regimes, as recently seen in France as a response to the upsurges in the 'banlieues,' the slums surrounding Paris.

Book Review

New Research Sheds Light on Prussian-American Relations

by Michael Liebig

Preussen und die USA 1850-1867: Transatlantische Wechselwirkungen (Prussia and the USA 1850-1867: Mutual Influences Across the Atlantic)

by Enno Eimers

Duncker & Humblot, Berlin, 2004

Enno Eimers' weighty tome—almost 700 pages—is an example of thorough academic work. He has gone to the Prussian Secret State Archives and to the U.S. National Archives in Washington, to review original documents covering the period between 1850 and 1867. Not an easy read perhaps, but a veritable gold mine for anyone who would seriously explore Prussian-American relations—so, one plunges enthusiastically into its depths.

U.S. Economic/Financial News

November Housing Data Puzzle Economists

Housing starts rose 5.3% in November, even as mortgage applications fell last week to an 11-month low. Permits for future home building also increased 2.5%, driven by speculative construction, in spite of skyrocketing home prices and rising interest rates. The chief economist at the National Association of Home Builders said he was "a little surprised," and that the statistics raise the question of "what the heck is going on." He cautioned that "single-family housing starts are probably heading for an erosion," saying the gains were largely tied to orders placed during the summer. Likewise, the chief economist for the National Association of Realtors called the data "a little eyebrow-raising."

"This reckless overbuilding will only exacerbate the magnitude of the price collapse in the coming housing bust," warned the president of brokerage firm Euro Pacific Capital, Inc.

U.S., Asian Auto Sales Post Steep Declines

U.S. auto sales fell across the board in early December, down sharply for the Big Three automakers, while Asian car sales also posted declines. Overall sales fell 14% in first 11 days of December compared to last year, according Power Information Network, a division of J.D. Power and Associates. Despite launching a new round of discounts, GM's sales dropped 17%; Ford's sales plunged 25%; and Chrysler's fell 19%. Sales for Toyota slid 6%; Honda's declined 3%; while sales at Hyundai and Nissan fell 20% and 14%, respectively.

Meanwhile, the biggest maker of light-truck axles, Dana Corp will eliminate 800 jobs at four plants, slashing 500 jobs at a plant located in Thorold, Ontario; with the remainder to be cut at three plants in Australia.

S&P Threatens More Auto Downgrades in 2006

According to Standard & Poor's "Industry Report Card: Global Automakers," published Dec. 21, GM and Ford, "which are being challenged both operationally and financially, will encounter difficulty in the coming year," as sales continue to fall. This carries the implicit threat of further downgrades. S&P also upped the pressure on auto suppliers, saying the outlook for 2006 would be "cloudy at best." "Even more downgrades are forecast in the near term for auto suppliers, and they will continue to outpace upgrades," S&P bellowed in a separate report card for suppliers. Among key concerns S&P cited, were that a potential strike at Delphi would halt GM's production and plunge its already fragile supplier base into severe financial hardship.

Risky Home Loans Point to Housing Bubble Explosion

Approximately 13.4% of all U.S. home mortgages at the end of June were contracted to borrowers considered most likely to default, the Mortgage Bankers Association reported in December. Since the size of the U.S. residential mortgage market is \$7.6 trillion, this means that \$1.09 trillion of home mortgages are "likely to default." Yet, the housing bubble has several layers of leverage. Many mortgages are packaged into pools, and against them are issued bonds. The amount of bonds backed by these high-risk loans more than doubled since 2001, to a level of \$476 billion. Thus, there are two mutually feeding branching-points of potential housing bubble explosion. First, the home mortgages themselves; second, the bonds issued against the mortgages.

The market "will deteriorate as housing slows down," said Christopher Flanagan, who runs debt-backed research at JP Morgan Chase & Co. (which bank is the fourth largest issuer of mortgages in the U.S.) The dollar volume of mortgage loans made, may fall by as much as 25% next year, he said.

At the same time, the monthly Housing Market Index, compiled by the National Association of Home Builders and Wells Fargo Bank, a gauge of builder confidence in the single-family home market, declined four points to a reading of 57, its lowest level since April 2003.

Fitch Downgrades Ford Debt to Junk Status

Fitch's rating service cut its rating on the debt of Ford Motor Company—which totals \$142 billion—to junk status (which in its system is BB+) on Dec. 20. Standard & Poor's and Moody's Investors Service had already cut Ford's debt rating to junk. As a result, five-year credit default swaps on Ford Motor Credit shot up to a bid of 545 basis points. That means that it would cost someone \$545,000 a year to insure \$10 million of the company's debt against default.

Meanwhile, the value of Ford stock has fallen 44% so far this year; the value of GM's stock has fallen by 47%. Speculators and asset-strippers are said to be licking their chops in anticipation of devouring the carcass.

U.S. Mayors: Hunger, Homelessness on the Rise

The U.S. Conference of Mayors' "Hunger and Homelessness Survey" for 2005 found increases in both categories in surveyed cities. Highlights from report which, this year, surveyed 24 cities:

Hunger: Demand for emergency food increased in 77% of the cities, with the average increase at 12%. But the increases ranged from 35% in Charleston (S.C.), 30% Detroit, 28% Miami, 25% Los Angeles, and 15% Philadelphia, to a low of 4% in Santa Monica (Calif). Overall, in 43% of the cities, food aid facilities had to turn people away due to lack of resources, with an estimated 18% of all requests unmet. Causes of hunger were led by unemployment, followed by high housing costs, overall poverty, and costs for medical/health care, transportation, childcare, or utilities.

Homelessness: Demand for shelter rose in 71% of the cities. The increase ranged from 30% in Los Angeles, 28% in Trenton, and 22% in Detroit, to a low of 1% in Cleveland. In 88% of cities, the shelters often turned away homeless families; 79%, homeless individuals; due to lack of resources. In addition to the homeless, requests for housing assistance by low-income families and individuals grew by 86% in these cities. Causes of homelessness were led by lack of affordable housing, followed by low-paying jobs, mental illness, domestic violence, unemployment, poverty, and prisoner re-entry. This past year 11% of the homeless were veterans, and 15% were employed people.

Unemployment Among Black Americans Shot Up in November

"Black Joblessness Grows to Record Levels," was the headline of a wire story Dec. 21 covering the November

unemployment report of the Bureau of Labor Statistics, which showed that unemployment among black Americans had officially reached 10.6%. This was a huge leap from October's 9.1%, while the overall national unemployment rate "officially" stayed the same at 5.0%. Rep. Mel Watt (D-N.C.) of the Congressional Black Caucus, in a statement, warned that the black unemployment rate is actually significantly higher than that: Watt says the sustained displacement of hundreds of thousands of Katrina evacuees is making it very difficult for them to look for jobs, so that the percentage of labor-force drop-outs in the black population has grown sharply.

World Economic News

PIMCO: U.S. Housing Bubble Will Deflate in 2006

U.S. housing bubble will deflate next year, according to PIMCO, the world's largest bond-trading fund, headquartered in California, in its December 2005 outlook on interest rates. A piece by PIMCO managing director Paul McCulley is entitled "MEW drag." He explains: "MEW is Mortgage Equity Withdrawal, which is Americans taking equity out of their homes by putting more debt on them. Or what I dubbed several years ago, turning the house into an ATM. Rightly or wrongly, most Americans look at MEW as the closest thing there is to a free lunch: home prices magically go up, generating unrealized capital gains, which can be magically monetized, if not realized, by borrowing against them."

Unfortunately, "MEW is very likely to decline, as the huge run-up in property prices of recent years" is coming to an end. Ever fewer people have "sufficient incomes to support the debt necessary to pay asking prices, particularly when mortgage interest rates rise." Therefore, "both volumes in total home sales, and MEW are set to fall sharply in the year ahead."

"That's what we expect in the year ahead. I would suggest that the downside for home price appreciation ... is particularly acute right here in California, where over 80% of new mortgages over the last year have been exotic creatures—interest only, pay option, and negative amortization concoctions."

Of course, "when the American property market comes off the boil, maybe turning tepid, the world will feel the impact, not just American homeowners," McCulley cautioned.

EU Budget Problems Remain After Late-Night Compromise

A late-night compromise Dec. 17-18 on the European Union budget will not solve its big economic and fiscal problems. The compromise implies that Britain's "special rebate" will be cut by 10.5 billion euros, over the 2007-2013 budget period, so that Britain will end up paying that much more into the budget.

The major continental countries, the biggest contributors to the EU budget, will also pay more, because the entire 2007-2013 budget will be 862 billion euros, instead of the 840-850 billion level at which they wanted it frozen. The original projection for a budget to fund all expenses, especially those for the 10 new Eastern members that joined in 2004, was 875 billion euros.

Further, Germany, the biggest single contributor (24.5%), agreed to a cut in EU funds for eastern Germany, in the range of EU100 million from 2006 on. Those funds will instead be paid to Poland.

None of this will solve the problem of the Maastricht system, namely that none of the bigger EU member-states will be able to meet the budget criteria in 2006 or 2007. Nor will they be able to easily pay their share of the budget, because their tax revenue base will continue to shrink, unless they launch a real economic recovery program—in defiance of Maastricht.

United States News Digest

Attack on Pensions Major Issue in N.Y. Transit Strike

Transit Workers Union Local 100 ended its three-day strike against New York City's Metropolitan Transit Authority (MTA), to get the city's subways and buses running again while contract negotiations resume. Union leaders faced jail time and fines of \$1,000 per day each, and the union has already been assessed \$1 million in penalties for each day of the walkout; striking union members face a fine under the Taylor Law (which prohibits strikes by public employees) of two days' wages for each day of the strike.

The central issue of the dispute is the MTA's three-year contract offer, which would have established a two-tier pension plan, requiring new employees to contribute more of their wages—6%, rather than the 2% paid by current employees. The renewed negotiations are proceeding under a press blackout, and the status of the pension demand is unclear. Previously, Local 100 president Roger Toussaint said that the MTA was asking the union to sell out its "unborn," and that the workers would end the strike if the pension proposal were removed from the negotiating table. Toussaint argues that under the Taylor Law, it is illegal for the MTA to include a pension demand as part of a settlement. Local 100 is composed mostly of people of color, and in a recent speech, Toussaint invoked Martin Luther King and Rosa Parks, saying, "There is a higher calling than the law. That is justice and equality."

SEC Charges Hospital Looter with Fraud

The Securities and Exchange Commission has sued National Century Financial Enterprises (NCFE) and several of its officers in Federal court in Ohio, alleging they schemed to defraud investors who purchased securities between 1999 and 2002. The individual defendants are NCFE principal and former CEO Lance Poulsen, principal and COO Donald Ayers, principal and former accounts-receivable director Rebecca Parrett, and former CFO Randolph Speer.

NCFE was the financial partner of Doctors Community Healthcare (DCHC) of Arizona, which was given the franchise for the shutdown of Washington's D.C. General Hospital, and which owns other hospitals in Washington, D.C. and around the country. Extensive evidence of the criminality and fraudulent operations of National Century and DCHC was presented at the time of the fight to stop the closing of D.C. General, led by the LaRouche movement, and was ignored by Wall Street's D.C. Financial Control Board.

NCFE and its subsidiaries were in the business of purchasing receivables for cash from hospital owners such as Doctors Community, and then issuing and selling notes to securitize the receivables, on which they were to ultimately collect (to a large extent from government health programs such as Medicare).

The SEC charges that during that time, NCFE subsidiaries offered and sold \$3.25 billion in notes, and that in the meantime, the defendants depleted the required reserve accounts and collateral base, by advancing at least \$1.2 billion to health-care providers—many of them at least partly owned by NCFE or its principals—without obtaining receivables in return. NCFE declared bankruptcy in late 2002, followed two weeks later by Doctors Community; ultimately, according to the SEC's charges, NCFE's collapse led to the bankruptcy of about 275 health-care providers.

The SEC has already won civil judgments against three other former NCFE executives, who have also pleaded guilty to Federal criminal charges.

Military Recruiters 'Leave No Child Behind'

An op-ed in the *Baltimore Sun* Dec. 22 by the parent of two boys attending school in Anne Arundel County, Md. says that Bush's "No Child Left Behind" law has a provision "that allows military recruiters to obtain student information, including names, addresses, and telephone listings." Writer John Schneider says that this allows recruiters to contact students without the knowledge or permission of their parents. He says that regardless of one's support or opposition to the Iraq war, every parent has the right to be involved in such major decisions about their children as joining the military.

The commentary says that the Pentagon has acknowledged having compiled a database on millions of high school and college students with information such as that listed above, plus their date of birth, gender, Social Security numbers, e-mail addresses, ethnicity, grade-point averages, and more. This database has not been disclosed by the Defense Department, as required by the Privacy Act. (The Privacy Act, passed in the wake of the Watergate revelations along with the FOIA, requires publication in the Federal Register of detailed descriptions of agency record systems containing information about individual citizens.) This information can also be shared with law enforcement and other government agencies, as well as foreign governments.

Appeals Court Blasts Administration on Padilla Case

In an angry ruling, the usually pro-government Fourth Circuit Court of Appeals castigated the Bush Administration and the Justice Department for trying to evade Supreme Court review of its holding Jose Padilla as an "enemy combatant" for three years. Padilla is an American citizen who was arrested on American soil, then transferred to military custody and thrown into isolation in a Navy brig.

The Fourth Circuit's opinion, written by the ultra-conservative J. Michael Luttig, clearly reflects the institutional anger in the courts over the Bush-Cheney disregard for judicial review and constitutional checks and balances. Based on the government's arguments that Padilla posed a serious threat to the national security, and that he intended to detonate a "dirty bomb" in a U.S. city, the Fourth Circuit had previously upheld the classification of Padilla as an "enemy combatant."

But, as the court pointed out, within days of the Supreme Court's expected decision as to whether it would review the case, the government tried to transfer Padilla from military to civilian custody, and brought criminal charges against him, "for alleged offenses considerably different from, and less serious than, those acts for which the government had militarily detained Padilla." Indeed, as Luttig writes, the government made an "emergency application" to transfer Padilla, without ever even mentioning the "dirty bomb" allegations or the alleged national security threat.

The appearance given, buttressed by leaks in the media, was that the government was attempting to avoid review by the Supreme Court, the Fourth Circuit stated—and it left the impression that Padilla may have been held "by mistake."

One of Padilla's lawyers, Donna Newman, said that she hopes that today's ruling gives an incentive for the Supreme Court to hear Padilla's case. "I think it speaks loud and clear," she said.

Pentagon May Cut 34,000 Soldiers from National Guard

Pentagon officials are considering cutting as many as 34,000 soldiers—mostly from the National Guard—at a time when U.S. ground forces are stretched thin in Iraq, the *Baltimore Sun* reported Dec. 21.

The White House has ordered the Defense Department to reduce spending over the next five years. Top army leaders have decided to sacrifice troop strength in order to provide money for new weapons systems and equipment, although the *Sun* says Rumsfeld has not decided what to cut.

A 34,000 cut from the National Guard would be 10% of its total strength. Governors oppose it, because they command the various state National Guards and rely on them in disasters, like Hurricane Katrina.

Neo-Cons Present Plan for Walls Along U.S. Borders

What decades ago Kissinger-ally William Paddock could only propagandize for, has now become part of a bill before the U.S. Congress: "Shut the borders and let them scream."

One of the Cheney gang's useful fools in Congress, Rep. Duncan Hunter (R-Calif), has slipped an item into a bill passed by the House on Dec. 16 that calls for a study "on the use of physical barriers" on the U.S. border with Canada. It also calls for building a 700-mile security fence, with lights and cameras, along the border between Mexico and the U.S. states of California, Arizona, New Mexico, and Texas.

Mexican President Vicente Fox has called the plan "shameful." "It is not possible that in the 21st century, we're building walls between two nations that are neighbors, between two nations that are brothers," he said.

Canadian officials said they have no interest in the plan. Saying it's never been discussed at regular meetings on border security, a spokesman for Canada's Public Safety Ministry noted that such a barrier would be impractical. "Just look at the Great Lakes," he said. "It's an indication of a lack of understanding about what the true challenges are on the northern border."

The U.S.-Canadian border has been known as the world's longest unfortified international border. (See Ibero-American Digest for more on this story.)

Ibero-American News Digest

Cocalero Leader Elected President of Bolivia

Evo Morales was elected President of Bolivia Dec. 18, receiving the highest vote of any Presidential candidate in decades: 54%, with 80% of the vote counted, as of Dec. 22. Morales swept the poorer areas of Bolivia, and is credited with 60% in the capital, La Paz, and a surprising 30% in the wealthier and non-Indian region of Santa Cruz. In addition, his Movement Towards Socialism (MAS) party appears to have won only one seat short of a majority in the Senate.

The Bolivian election represented a choice between two poisons: the financiers' free trade, supported by the two defeated candidates, and the financiers' left-synarchist option, represented by Morales. Morales, picked up years back by international mega-speculator and drug-legalizer George Soros, and groomed to become the leader of the country's coca-growing peasantry, has ties to Colombia's narcoterrorist FARC; Morales promised in his campaign that as President, he would legalize all production of coca (the chief ingredient in cocaine) in Bolivia, and campaign for its legalization internationally. Peruvian Nazi-communist Ollanta Humala, in second place in polls for Peru's April 2006 Presidential elections, met with Morales in March in Bolivia, and has welcomed his coca legalization plans.

Voters did not vote for Morales because of his coca program, however, but because he promised to break with the free-trade policies which have lowered living standards in the nation for 25 years.

What Morales actually does, once sworn in as President in January, will be shaped in great part by what comes out of the huge political and social upheavals under way internationally, especially in the United States. Venezuela's Hugo Chavez,

Argentina's Nestor Kirchner, and Brazil's Lula da Silva all welcomed Morales's election, and the head of Mercosur (Common Market of the South), "Chacho" Alvarez, called for Bolivia to be made a full member. Negotiations with U.S. financial circles to "moderate" his promise to nationalize Bolivia's oil and gas industry have been under way for months.

Lula, Uribe Advance Infrastructure Agenda in South America

South American integration, particularly of its physical infrastructure, topped the agenda of talks between Presidents Alvaro Uribe (Colombia) and Lula da Silva (Brazil) during the Brazilian President's Dec. 14 state visit to Colombia, his third since taking office.

The agreements signed, including a \$200 million loan from Brazil's National Economic and Social Development Bank (BNDES) for Colombia to pave missing sections of a highway which runs from Brazil to Colombia's Pacific coast, marked steps towards implementing the grand continental infrastructure projects discussed at the historic March 29, 2005 summit of the Presidents of Brazil, Colombian, Venezuela, and Spain (see "Integration is the New Name for Peace," in InDepth, EIR Online #15, 2005). Uribe again emphasized during Lula's visit to Bogota, as he had in the March meeting, the importance of developing the South American waterways as an functional, integrated transport system throughout the continent. The relevant officials are drawing up a "Memorandum of Understanding on Binational Infrastructure and Physical Integration Projects," the two Presidents announced in their final communique.

Security cooperation, particularly along their common border, was also discussed. Colombia finalized the long-delayed deal to buy 25 Super Tucanos fighter planes from Brazil, a deal the Bush Administration had blocked previously.

A revealing sidelight to the mental state of both Presidents was provided by Uribe, who praised Lula at least three times, in two different speeches, as a model of how a leader can try to do something to aid the poor, without scaring foreign investors. Indeed, both Uribe and Lula exemplify Presidents who would like to do something to better their nation and peoples' condition, but have yet found the courage to face up to the fact that they must help change the global system, in order to do so.

GM Economist Suggests U.S. Work with Argentina's Kirchner

Asked by the Inter-American Dialogue to comment on Venezuelan President Hugo Chavez, whether anti-Americanism will continue to rise in Ibero-America in 2006, and what the U.S. will do to rebuild relations with Ibero-America, Jonathan Flott, economist for General Motor's Latin America, Africa, and Middle East division, called for the United States to be more "pragmatic" in its relations with the region. Chavez will do what Chavez will do, regardless of what the U.S. does, he said, but, "the key are leaders such as [Argentine President Nestor] Kirchner who may lean towards Chavez, but who are also looking for support on substantive issues, and are willing to moderate their positions in the pursuit of broader national interests." His answer was published in the Dec. 21 "Latin America Advisor" newsletter of the Dialogue. (See InDepth this issue, for the latest on the "substantive issues" upon which President Kirchner is seeking cooperation.)

The Dialogue, a financiers' think tank set up in 1982 to stop Lyndon LaRouche's influence in the region, is launching what appears to be a kind of "Who lost Ibero-America?" debate. "Relations between the United States and Latin America today are at their lowest point since the end of the Cold War," IAD president Peter Hakim acknowledges in an article titled "Is Washington Losing Latin America?", published in the January-February issue of *Foreign Affairs*. Hakim warns that U.S.-Latin American relations have "seriously deteriorated," and are "in tatters." Few Ibero-Americans—poor, rich, in government or out—consider the U.S. to be a dependable partner, and the United States and its international agenda are discredited throughout the region. Hakim's only proposal, however, is for the U.S. to pay more attention to implementing more of the same: free trade.

Mexican Outrage Over U.S. Border Wall Grows

Comparing Bush Administration plans to build a nearly 700-mile fence along areas of the U.S.-Mexico border to a new "Berlin Wall," the Mexican government is organizing an international campaign to stop the measure. On Dec. 17, the House of Representatives passed a vicious "border security" bill, sponsored by two Republicans, House Judiciary Committee chairman James Sensenbrenner and Homeland Security Committee chairman Peter King, which, among other things, authorizes the construction of specially-reinforced fencing, with special lights, sensors, and cameras, across key border regions of the states of California, Texas, New Mexico, and Arizona. Bush is fully behind the measure, and the Senate will be taking up debate on the legislation in February.

Mexican President Vicente Fox called the idea "disgraceful and shameful," and declared at a ceremony celebrating the International Day of the Immigrant that, "It is impossible that in the 21st Century, we are building walls between two nations that are neighbors, between two nations that are brothers, between two nations that are partners.... The entire population of the United States ... are migrants who have come from all over the world, and have build that great nation." Foreign Secretary Luis Ernesto Derbez said that Mexico "will not put up with, is not going to permit, will not allow a stupid thing like this wall" to be built, and promised to "raise a storm of criticism" against it. Mexico's government has even taken out ads urging Mexican workers in the U.S. to denounce rights violations on that side of the border.

Whether he meant to or not, Fox hit the nail on the head when he said that this "shameful moment, where walls are being built, security systems are being reinforced, and human and labor rights are being violated more and more, will not protect the economy of the United States."

Western European News Digest

German State Governments Move vs. Energy Price Increases

The widespread public outcry in Germany after the collapse three weeks ago of the power supplier in the Muensterland region (the "German Enron"), and the prospect that electricity prices will undergo a new round of increases starting Jan. 1, have created a favorable political environment for calls for re-regulation. For example, over the Dec. 17-18 weekend, Hesse State Economics Minister Alois Riehl decreed that none of the 51 utilities planning to increase prices by 5-8% in the state's urban areas, will get the permits. Instead, all are to report to him in detail the reasons for the increases, and how they are justified. Riehl has the backing of Hesse Gov. Roland Koch, a Christian Democratic Union (CDU) neo-con.

With the exception of the grand coalition government in the state of Schleswig-Holstein, none of the other state governments is willing to follow Hessen. Dietrich Austermann (CDU), economics minister of Schleswig-Holstein, said on DLR radio that if (as is the case) power firms are making good profits with increased energy prices, they also have an obligation to share some of those profits with the consumer, along the common good principle that "property obliges."

All state governments are under heavy, increasing public pressure to act. Saxony, Saxe-Anhalt, Baden-Wuerttemberg, Bavaria, Lower Saxony, and North-Rhine Westphalia have okayed most of the price increases, but are withholding permits to several utilities, on the basis of doubts that their increases are justified.

Mannesmann Case Sparks Debate in Germany on Common Good

A court ruled Dec. 21 to reopen the trial of Mannesmann management, making invalid an earlier ruling by the regional court in Duesseldorf, which had ruled for an acquittal of the accused—Josef Ackermann, CEO of Deutsche Bank; Klaus Esser, former CEO of Mannesmann; Klaus Zwickel, former chairman of German Metal Workers Union; and three other

members of the Mannesmann advisory board. The six were charged with insider arrangements and fraud in the takeover of Mannesmann by Vodafone in 2000, which provided them with exorbitantly high premium payments. For lack of clear evidence about the fraudulent insider arrangements, the Duesseldorf court ruled for acquittal in July 2004; however, in a rather unusual procedure, the presiding judge stated her deep dissatisfaction with the ruling.

All that is now on the table again, and the new ruling has sparked broad debate in Germany on the Common Good, and management culture in general. Going beyond the many calls from politicians and institutions that Josef Ackermann resign as CEO of Deutsche Bank, there has been reference in many of these statements to the Common Good principle of the German Constitution.

Notably, Wolfgang Thierse, past chief speaker of the Bundestag (parliament) and Susanne Kastner, present vice speaker, have insisted that, short of specific legislation to determine limits to management conduct, there is urgent need for a broad and intense debate on the question, "What kind of management culture complies with the German tradition of social market economy?" The Common Good principle, both said, obliges a manager to see himself as the "good administrator of a firm that is not his personal property," that is, to operate on the basis of a "social consensus."

This principle evidently was violated in the Mannesmann case by top managers like Josef Ackermann, who thereby lost the qualification for a highly responsible job as CEO of a leading German bank, Kastner said.

Neo-Cons Launch Budget Terror Campaign Against France

On Dec. 15, Michel Pebereau, president of the board of directors of France's largest bank, BNP-Paribas, published a report on the French debt which Economics and Finance Minister Thierry Breton had commissioned last July. The appearance of the report was the start of a brutal propaganda campaign to convince the French that for 25 years, the country has lived above its means, and that the accumulated debt is so high that the country is on a short road to self-destruction. The report got dramatic headlines for two days in *Le Figaro*, the daily owned by military-airplane producer Serge Dassault, a right-winger fully backing the Presidential campaign of neo-conservative Nicolas Sarkozy.

The report, which mixes truth and falsehood, is black propaganda aimed at forcing France to adopt shock therapy, and abandon the remains of its traditional social model. In typically synarchist fashion, the authors lay the blame on the democratic system, its large number of elected officials—500,000 in France—as limiting the possibility of consensus, and its frequent elections, which frequency raises the electoral penalty for politicians who want to introduce reforms.

Note that on Nov. 17, Standard & Poor's rating agency threatened to downgrade France's AAA rating if it didn't reduce its deficit and indebtedness. At the same time, the European Central Bank, furious at the refusal by the major European countries, France and Germany in particular, to impose deep austerity cuts to meet the Maastricht criteria, had taken on itself to launch a campaign to force them to do so. It announced a month ago that it would be using Standard & Poor's criteria to downgrade the financial rating of European member states, and get them back into line.

Italians Investigating U.S. Marine in Calipari Death

An Italian prosecutor has confirmed that he is investigating a U.S. Marine in connection with the death of Italian secret service officer Nicola Calipari, and has considered charging the Marine with murder. The prosecutor would not discuss details of the investigation into the March 4 shooting death of Calipari, the agent who was killed by U.S. gunfire at a checkpoint in Iraq, while rescuing Italian journalist Giuliana Sgrena, who had been kidnapped by insurgents.

World War II British Torture/Interrogation Prisons Exposed

On the basis of just-declassified 60-year-old British Army records, the London *Guardian* Dec. 18 published a detailed account of secret British torture/interrogation centers in postwar occupied Germany. The article identified the Combined Services Detailed Interrogation Center (CSDIC) as the agency that ran a string of secret torture/interrogation centers, including a particularly vicious one at Bad Nenndorf, near Hannover, and the London Cage, a center in an exclusive London neighborhood. The initial prisoners were German Nazi officials and industrialists who profited under Hitler, but later, the facilities targeted suspected Soviet spies. The *Guardian* story appears in the context of wide international circulation of the Frank Olson story in *EIR* (see "It Didn't Start With Abu Ghraib; Dick Cheney: Vice President for Torture and War," by Jeffrey Steinberg, *EIR* Online, Nov. 8, vol. 4, no. 45).

Stone-Age Observatory Reopened—After 2,800 Years

The Stone-Age observatory at Goseck, Saxe-Anhalt in Germany, which was discovered by aerial archaeography in 1991, has been reconstructed to its original form. The two main rings of palisades, the gates of which point exactly to the sunrise at solstice, form what is known to date, as the oldest observatory on Earth. The ancient structures were dated as older than 6,800 years (about 4800 B.C.), which makes them older than Stonehenge in England (3000 B.C.), and the pyramids in Egypt (ca. 3200 B.C.).

The original site may have been in use until 800 B.C., which means that its reopening Dec. 21, with a winter solstice ceremony, occurs after an interruption of almost 3,000 years. The entire site is surrounded by numerous larger settlements dating from the Stone Age, as well as by other structures that indicate rather developed astronomical practices, several thousand years ago. Not far away from Goseck, a Bronze-Age plate depicting a section of the sky along with two curves believed to portray the movement of the Sun between the two solstices, was found in 1997.

Blair Was Warned of Coming Subway Terror Attack

British intelligence organs MI5, MI6, AND GCHQ warned Prime Minister Tony Blair before the July 7 bombings that al-Qaeda planned a "high-priority" attack on London's subway, says a four-page report by the Joint Intelligence Committee (JIC), leaked to the London *Sunday Times* Dec. 18. JIC oversees all intelligence-gathering. The document, it says, "will fuel suspicions that Mr. Blair decided to rule out a public inquiry into the bombings last week because it could expose intelligence failings at the highest level.... [T]he leaked document, dated April 2003, will be seized on by critics to show that ministers failed to disclose that they knew al-Qaeda was targeting the Tube [the subway]." The document, marked "Top Secret," and signed off by the heads of all the above agencies, was based partly on the interrogation of Khalid Sheikh Mohammed, al-Qaeda's operations chief. It stated: "The UK and its interests remain high in Al-Qaeda's priorities.... Plans have been considered to attack Heathrow, the London Underground and other targets."

Ministers and senior security officials have insisted that there was no warning of an imminent attack ahead of the July 7 bombings, in which 56 people died. Officers judged that Siddique Khan, who was to be the leader of the four bombers, was not an immediate threat to national security and decided to stop monitoring him. Blair ruled out a public inquiry on the grounds that it would detract from the investigation.

Russia and the CIS News Digest

Putin Commits Russia to 'Leadership in World Energy'

Russian President Vladimir Putin addressed a special session of his country's Security Council on Dec. 22, taking up the topic of "Russia's role in world energy security." He stressed the export of fossil fuels, especially Russia's position as #1 natural gas exporter in the world, and #2 oil exporter, but also the prospects for greater development of nuclear power. On

the question of fossil fuels, Putin particularly emphasized the planned oil-export pipeline to the Pacific Ocean, which he said could be augmented by natural-gas-export lines in the same direction.

While the Baltic Sea floor gas-export pipeline, and former German Chancellor Gerhard Schroeder's joining its board, have grabbed headlines, Putin and the leadership of Gazprom, the majority state-owned natural-gas monopoly have been moving aggressively to capitalize on Russia's energy relations with other world powers, as well. On Dec. 13, Gazprom deputy chairman Alexander Medvedev announced at a Berlin press conference, that his company intends to achieve "more than 10% of the U.S. market share by 2010," increasing that to 20% soon thereafter. This goal would be achieved through liquid natural gas (LNG) exports.

Earlier in the fall, Alexander Medvedev accompanied Minister of Industry and Energy Victor Khristenko on a tour of the United States, to further this Gazprom goal. A related development was Russia's attempt to recruit former U.S. Secretary of Commerce Donald Evans, a close and longtime friend of George W. Bush's, to serve as co-chairman of the board at the state-owned oil company, Rosneft. On Dec. 20, Evans declined the offer (citing family reasons, while praising Russia's commitment to meeting international standards for transparency and high-quality corporate management), which had been put to him by Putin personally. Putin, when queried about the Evans job offer on Dec. 16, said it was natural for Russia to seek top international managers, given that companies like the state-owned Rosneft are in the process of launching IPOs in international markets. Indeed, IPOs by Russian firms have been one of the hottest items on the London Stock Exchange this year.

Southwest Asia News Digest

Cheney's Pet Iraqi Chalabi Smashed in Elections

Ahmed Chalabi, the Anglo-American "golem" who provided the made-to-order false intelligence on Iraq's supposed WMD, contacts to al-Qaeda, chemical weapons labs, etc., had been hoping to become Dick Cheney's puppet Prime Minister in the new Iraqi government. But, at the polls, he was smashed. According to preliminary results from the elections, which took place the week of Dec. 12, Chalabi received 0.36% (8,645 votes out of 2.5 million) in Baghdad, 0.34% in Basra, and 113 votes in Anbar province.

Chalabi's election slogan had been, "We Liberated Iraq," and less than a month before the vote, he made a well-publicized visit to the U.S., where he had a private meeting with Cheney, and was hosted at the neo-conservative temple, the American Enterprise Institute. Now, it appears, the Iraqis are liberating themselves of him.

Some of the commentary on the downfall of Cheney's man Chalabi:

**Editor & Publisher 12/22:* Headline: "Chalabi, Judith Miller Source and Exile Leader, Gets Less than 1% in Election": Just last month, with the help of major U.S. lobbyists, he toured this country, meeting with Vice President Dick Cheney and Secretary of State Condoleezza Rice, and appeared widely on American television.

**Salon 12/13:* Like another Iraqi the Bush Administration has embraced, former Prime Minister Ayad Allawi, Chalabi is arguing that last week's elections were tainted by fraud. But that's not a claim that fits well in the purple-thumb story the White House is telling, so don't look for Chalabi's friends in Washington to come to his aid anytime soon.

**Sydney Morning Herald, Dec. 23:* Another scandal engulfing Chalabi and Co.: "Grains of truth," by Paul McGeough: describes a multi-million dollar kickback scheme involving the grain trade between Australia's AWB grain cartel and Iraqi officials, including Chalabi.

Palestinian Election Crisis Over Hamas Role

Moves by Israeli and Palestinian factions put the shape of Jan. 25 Palestinian elections—even whether they will occur at all—in doubt. Maneuverings by factions within three major forces in Israel and the Occupied Territories have thrown a veil of uncertainty over the Palestinian Authority's political future. Underlying this are two factors in the region's political context: the recent explosive growth of the Palestinian public's support for the Islamist movement Hamas at the expense of Fatah, and standpoint of the Israeli government (as well as the EU and the U.S. House of Representatives) that a victory in the elections and inclusion in a Palestinian government of Hamas (which calls for destruction of the Israelis state, and has conducted numerous suicide bombings in Israel) is intolerable.

On Dec. 21, AP reported that the Palestinian Authority will cancel the January elections, if the Israelis go ahead with their announced plan to prohibit Palestinians from voting in East Jerusalem, citing Palestinian Authority Information Minister Nabil Shaath. The Israelis' stated reason for banning the vote is the inclusion of Hamas candidates on ballot. The Israeli Prime Minister's office says that no final decision has been made on allowing or banning voting in Jerusalem during the upcoming Palestinian elections, overruling the Foreign Ministry, the *Jerusalem Post* reported Dec. 22.

On the same day, however, it was reported that notwithstanding Shaath's statement, PA Chairman Mahmoud Abbas (who is under pressure from numerous forces, including Egypt) is inclined to hold the elections as scheduled. Hamas and ten other (non-Fatah) Palestinian factions told Abbas that the elections must be held regardless of whether the Israelis allow voting in East Jerusalem. Meanwhile, militants of the Al Aksa Martyrs Brigade in the Gaza Strip called on Palestinians to rally for a cancellation of the elections if Jerusalem voting is banned.

And last, but hardly least, imprisoned Fatah leader Marwan Barghouti, who recently led a walkout of other young leaders from the Fatah electoral effort, has called for reunification with Fatah, in the context of recent Hamas electoral victories in several towns. A recent poll of 2500 Palestinians in the West Bank, revealed that 40% planning to vote for Hamas; notably, many of those polled said they were leaning toward Hamas because of the split in Fatah. The *Ha'aretz* report on the poll notes that it's unclear whether Fatah's percentage will rise from 20% among those polled, if the factions are reunited.

Were Iraqi Prisoners Released as Part of Election Deal?

The U.S. announced Dec. 19 that a number of imprisoned Iraqis—somewhere between eight and 24—formerly suspected of possible war crimes were released on Dec. 17. These include weapons scientists known as "Dr. Anthrax" and "Dr. Germ," and some of them were included the infamous deck of cards of wanted people. A lawyer defending former regime officials said their release was part of a deal to ensure Sunni participation in the elections, but U.S. military spokesman Lt. Col. Barry Johnson denied that the release was part of an election deal.

Syrian and Egyptian Presidents Meet in Quick Summit

Syrian President Bashar al-Assad flew to Cairo Dec. 21 and immediately met with President Hosni Mubarak, reported the Lebanon *Daily Star*. Although they made no comments to the press, Egyptian Foreign Minister Abu al-Gheit, who met in parallel with Syrian Foreign Minister Sharaa, said the talks "focussed on the main regional issues related to the Mehlis investigation [into the murder of Rafiq al-Hariri, the former Lebanese Prime Minister], and the latest UN Security Council resolution and how Syria dealt with it, as well as with Syrian-Lebanese relations and how to advance them."

Washington Post Demands Iraq Treatment for Syria

The *Washington Post's* Dec. 19 lead editorial, "Justice for Syria," likens Syria today to Iraq under Saddam Hussein. While admitting the murders of prominent Lebanese critics of Syria over the past year and more have not been shown in court to have been ordered by Syria, the *Post* calls these "acts of terrorism" and a "campaign of murder" by the Syrian government of Bashar Assad. Damascus will not "be brought to its senses ... until the [UN] Security Council, led by the United States, ensures that those who murder are brought to justice."

Arab Summit: No Problem with Iran's Nuclear Program

The head of Gulf Cooperation Council said at the opening of the council's two-day summit on Dec. 19, "[W]e do not see the Iranian nuclear reactor as a cause of danger and instability in the region," Arab News reported. GCC Secretary-General Abdul Rahman Al-Attiya said, "We expect Iran to be rational in dealing with the nuclear issue, that it meets peaceful purposes without inflicting damage on its neighbors."

The council, initiated in 1981, includes the governments of the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar, and Kuwait.

Bush Administration To Blame for Hamas's Power

The Latin Patriarch of Jerusalem, Michel Sabbah, declared that it is the policy of the Bush Administration that is strengthening Hamas, *Ha'aretz* reported Dec. 22.

"Hamas is getting more and more power thanks to the Bush administration's interventions," the Patriarch said. He added that the Israeli government's policy, including arrest sweeps and targeted killings of suspected militants, undermined Palestinian President Mahmoud Abbas (Abu Mazen).

The Patriarch also attacked Israeli Prime Minister Ariel Sharon's Berlin Wall of the Middle East, saying it has turned the city of Bethlehem, the birthplace of Christ, into a "big prison." All of this is driving Christian Palestinians to emigrate from the city.

"As we are so small, of course we are worried about any emigration, about a single person's emigration, Sabbah said, "As long as Bethlehem will remain a prison, of course, many will have the desire, the wish, to get out of prison. If truly people are worried about our future as Christians, the first thing they have to do is to help reconciliation, stability in this land, because we are the first victims of this long, long conflict between Israelis and Palestinians, as Christian Palestinians."

Half of Israelis Polled Support Hamas Negotiations

While the Bush Administration is mobilizing against Hamas's participation in the Palestinian elections and peace negotiations, a poll showed that 50% of Israelis would support negotiated settlement with Hamas, according to *Ha'aretz* Dec. 22.

The poll was conducted by Hebrew University under the supervision of Yaavoc Shamir, who said, "This shows an Israeli awareness of what is going on in the Palestinian public, that Hamas is serious about its intention to play a role in Palestinian politics. We cannot really prevent this, and the public understands that." Shamir compared the Israeli government's objection to carrying out a dialogue with Hamas to the decades-long ban against talks with the Palestinian Liberation Organization prior to the 1993 Oslo Accords. "The process will be shorter this time," Shamir said, if talks were held with Hamas.

Asia News Digest

Philippine Senate Rejects U.S. Demand for 'Anti-Terror' Law

Paralleling the Cheney-Bush demand that the U.S. Congress ram through a new Patriot Act without protection of citizens' civil rights, National Intelligence Director (NID) John Negroponte travelled to Manila to demand that the Philippine Congress immediately pass an anti-terror bill drafted by President Gloria Arroyo's Administration. President Bush, in his meeting with Arroyo at the November APEC meeting, is reported to have made the same demand.

The House, dominated by Arroyo's supporters, passed the bill, but the Senate has refused to be rushed, the *Manila Times* reported Dec. 20. Senator Joker Arroyo said he and his colleagues would not "allow Malacanang [the Presidential palace] to stampede the Senate into enacting an anti-terrorism bill that could go against the Constitution's Bill of Rights for every Filipino," adding that Arroyo's plea "was made as result of Bush's badgering." He noted that Bush himself could not muster enough influence on the U.S. Senate to rush the renewal of the Patriot Act through.

The bill includes provisions which allow arrest without warrants, grants the government the power to wiretap phones and e-mails, and grants carte blanche to seize financial records. Any meeting of people, or membership in groups out of favor with the government, could suffice to open an investigation.

Japan and India Plan Military Cooperation

Japanese Prime Minister Junichiro Koizumi and Indian Prime Minister Manmohan Singh discussed military cooperation on the sidelines of the East Asia Summit in Kuala Lumpur on Dec. 16, according to available reports. In this program, India will be allowed to use the Japanese Navy and Coast Guard bases for a joint exercise in the Asia-Pacific region, and later upgrade it to a trilateral exercise with the United States. This is conceived in New Delhi as an expression of Japan's growing interest in establishing a stronger political, economic, and strategic relationship with India. In return, Japan seeks a similar arrangement for the Japanese Navy, to use the Indian Navy bases from which they can conduct rescue operations, joint exercises against terrorism, and provide security to the maritime traffic.

Pakistan Will Stand By Iran if U.S. Attacks

Pakistani Foreign Minister Khurshid Kasuri said Pakistan strictly opposes any U.S. attack on Iran, and will stand by Iran if this extreme step is taken by the United States. Speaking at a press conference at Naqeebabad, on Dec. 17, Kasuri reiterated that Pakistan aspires to resolve Iran's nuclear issue according to the principles laid down by the International Atomic Energy Agency (IAEA).

Foreign Minister Kasuri's statement came days before U.S. Vice President Dick Cheney's Dec. 20 one-day visit to Pakistan. Cheney's visit to Pakistan was expected to be dominated by his armtwisting of President Pervez Musharraf, including silencing Pakistan on the prisoner torture scandal and reported "secret CIA jails" in Pakistan. Cheney, however, had to rush back to Washington in an unsuccessful effort to salvage the police-state Patriot Act in the U.S. Senate, with Defense Secretary Rumsfeld taking his place in Pakistan.

India and Pakistan To Build Pipeline to Iran; U.S. Fumes

India and Pakistan agreed on Dec. 17 to begin work by 2007 on a pipeline to bring natural gas from Iran, moving ahead with the project despite U.S. disapproval. The 1,750-mile pipeline would serve the growing energy needs of India's economy and provide Pakistan with hundreds of millions of dollars in fees. Washington opposes investments that benefit

Iran, which it accuses of trying to build atomic weapons.

Pakistani and Indian oil ministry officials met in New Delhi and agreed to complete a framework of agreement by April of next year, the Press Trust of India news agency quoted India's Petroleum Secretary S.C. Tripathi as saying. The proposed \$4 billion pipeline would transport natural gas from Iran to India through Pakistan by the end of the 2010, the report said. The pipeline is one of a number of initiatives designed to improve relations between Indian and Pakistan. Iran proposed the pipeline in 1996, but the project never got off the ground mainly because of Indian concerns over its security in Pakistan. India imports more than 65% of its oil.

U.S. Ran 'Dark Prison' in Kabul

Citing accounts of detainees at Guantanamo, Human Rights Watch of New York, in a report released on Dec. 19, said, as late as last year, the U.S. operated a secret prison in Kabul. Eight detainees in Guantanamo described to their attorneys how they were held at a facility near Kabul at various times between 2002 and 2004. The detainees, who called the facility the "dark prison" or the "prison of darkness," said they were chained to walls, deprived of food and drinking water, and kept in total darkness with loud rap, heavy-metal music, or other sounds blared for weeks at a time. Most of the detainees said they were arrested in other countries in Asia and the Middle East, and then flown to Afghanistan.

Ironically, the report was released the very day U.S. Vice President Dick Cheney was in Kabul showering praises on Washington for "bringing democracy to Afghanistan."

U.S. Ambassador Angers Both North and South Korea

U.S. Ambassador to South Korea Alexander Vershbow angered both Koreas with recent statements defending continued American sanctions against Pyongyang, calling North Korea a "criminal regime," the *Korea Times* reported Dec. 17. The North Korean Ambassador to the UN, Pak Gil-yon, denounced the Vershbow statements as proof that the U.S. was undermining the September Six Power statement. The Speaker of the South Korean National Assembly echoed those remarks by saying that Vershbow went "too far," and was jeopardizing any further progress in the talks. Chung Dong-young, South Korea's unification minister, is now en route to Washington in a trip aimed at salvaging the Six Power talks.

The visit to Washington of Chung Dong-young comes shortly after North-South talks produced a joint declaration, that economic cooperation between the two states will accelerate. South and North Korean Ministerial Talks on Jeju Island Dec. 13-16 led to an Inter-Korean Joint Statement that announced: "South and North Korea agreed to expand inter-Korean economic cooperation for balanced development of the national economy, and interest and prosperity of the whole peninsula. The two sides agreed to take substantial measures to expand investment and cooperation in terms of size on the principle that inter-Korean economic cooperation is an *internal cooperation project*" (emphasis added). The two sides shared the understanding of the need to push for the second phase of development for the Kaesong industrial park and test runs for the West Coast and East Coast (Trans-Korean) railways," it said. No date, however, has been given for the first train to run.

LaRouche Interview in Korea: Global Crisis Coming

"Global Financial Crisis Coming—Exclusive Interview with LaRouche," reads one of the front-page headlines of South Korea's *Mahl* magazine's Internet journal *Peacekeeping* on Dec. 22, with a photo of LaRouche campaigning for President in 2004 (see <http://peacemaking.co.kr/english/>). The article is a reprint of the first two parts of LaRouche's eight-part interview with *People's Daily* of China.

The introduction reads: "*People's Daily*, China's leading newspaper, ran an interview on Nov. 22, 2005 with *EIR* Editor Lyndon LaRouche. It was read by over 6 million Chinese because LaRouche forecast the collapse of the U.S.S.R., and he now forecasts the collapse of the U.S. financial system (and global dollar system) due to the same errors. Lyndon H. LaRouche, Jr. is an American political leader, best known as a Presidential candidate. Yong Tang, *People's Daily* Washington writer, conducted an exclusive interview with LaRouche at his Virginia home."

This Week in History

- December 27 — January 2, 1767 -

Nicholas Roosevelt Forges a Steamboat Link to the American West

December 27, 1767 was the birthday of Nicholas Roosevelt, a cousin of Franklin Roosevelt's great-grandfather, and one of America's leading engineers and inventors. After working with Robert Livingston, John Stevens, and Robert Fulton on the development of the steamboat, Nicholas and his intrepid wife, Lydia, embarked on a daring expedition which would prove that steam transportation could be used on the Ohio and Mississippi River systems.

After the American Revolution, settlers had flocked to the Ohio River Valley, and thence to the Mississippi River Valley, but taking a boat down those rivers was essentially a one-way trip. The currents were so strong that anyone trying to sell their farm surplus or other goods in the markets of the eastern United States had to float them down to New Orleans and then proceed by ocean to the Atlantic coast. An arduous trip back up the rivers by keelboat to Pittsburgh took many months and was very dangerous, due to the snags and sandbars in the rivers.

The isolated situation of the new settlements was a problem that George Washington tried to solve by sponsoring canals that would cut through the Appalachian and Allegheny Mountains to the Ohio Valley. There was also a political problem involved, for Britain and its cat's-paw Spain bent their efforts to luring the western settlers away from their allegiance to the new United States and into breakaway groupings that would be under the sway of European powers. Therefore, the development of a swifter mode of transportation than packhorses and keelboats was an urgent necessity.

George Washington and Benjamin Franklin coordinated their efforts to make that development one of their priorities, and over the years, they sponsored the work of inventors such as William Henry, James Rumsey, and Robert Fulton. Nicholas Roosevelt, who would soon join the quest for a reliable steamboat, grew up in New York during the period of the American Revolution, and in 1782, at the age of 15, he built a model boat propelled by paddle wheels over the side, which were turned by hickory and whalebone springs.

In 1793, Roosevelt became a director of the New Jersey Copper Mine Association, which was organized to rework the abandoned Schuyler mine. When that project had to be abandoned, Nicholas persuaded his associates to buy land on Second River, now Belleville, New Jersey, and erect a metal foundry and shop. Roosevelt called this enterprise the Soho Works after the Boulton & Watts steam-engine works in England, which had been established with the encouragement of Benjamin Franklin. All interchange between American engineers and scientists and their British counterparts was cut off during the American Revolution, but Robert Fulton would shortly reconnect with Franklin's friend Matthew Boulton to obtain an engine for his projected steamboat.

Roosevelt's Soho Works became one of the premier ironworks in the new nation, and was called upon to provide engines for many new industrial projects. Like Paul Revere, Nicholas Roosevelt also became a copper manufacturer. During the administration of President John Adams, Roosevelt received a government contract to build a copper rolling mill and provide the copper sheathing for the hulls of six 74-gun U.S. Navy ships. After Nicholas had invested heavily in order to

fulfill the contract, Thomas Jefferson was elected to the Presidency and ship construction was abandoned. As a result, Roosevelt suffered severe financial losses.

Beginning in 1797, Roosevelt was also working with Robert Livingston and John Stevens in developing a steamboat. Roosevelt was to build the engines at his Soho Works. After several trials, the partners' steamboat "Polacca" attained a speed of three miles an hour in still water on October 21, 1798. But there were many technical problems still to be solved, and Livingston refused to let Nicholas attempt to use his old design of a paddlewheel over each side of the boat, a design which would eventually be used by Robert Fulton and by all the Ohio and Mississippi "sidewheelers."

One day in 1799, Benjamin Henry Latrobe, the future architect of the U.S. Capitol, walked into the Soho Works and proposed that Roosevelt build the two enormous steam-driven pumps that he had designed for the new Philadelphia Waterworks. Roosevelt mortgaged his engine works in order to finance the building of the engines, and the project was successfully completed. A few years later, in 1808, Latrobe's daughter Lydia became Mrs. Nicholas Roosevelt. The education Lydia had received from her father served her in good stead when she and Nicholas embarked on the daring adventure which was to come.

Roosevelt's financial problems stemming from his waterworks project and the cancelled copper-sheathing contract meant that he could no longer employ the workmen he had so carefully trained. Therefore, they moved a few miles down the Hudson River to work for Robert Fulton as he built his successful North River Steamboat, which came to be known as the "Clermont." Two years later, in 1809, Benjamin Latrobe suggested to Fulton and Livingston that they take Roosevelt into partnership to build steamboats for the western rivers.

Nicholas and Lydia travelled by wagon to Pittsburgh, where they jointly designed a large flatboat, and on it, they sailed away to New Orleans for their honeymoon. The voyage was also a scouting expedition designed to determine the possible problems and impediments which would face the steamboats to come. At every town, they disembarked and told the local citizens about the new technical wonder which would be coming soon. When they reached Indiana, Nicholas saw coal outcroppings, and he bought several small coal mines and paid the farmers to dig out the fuel and pile it on the shore for his projected steamboat's later journey down the Ohio.

When the couple reached New Orleans, they booked passage on an ocean vessel to New York. Lydia, who had become pregnant with her first child, just made it back in time to give birth to a baby girl. There were only a few months to rest, for Robert Fulton was encouraged by Roosevelt's report of the trip, and sent the Roosevelts back to Pittsburgh, this time to supervise the building of the first steamboat on the Ohio River. Fulton designed the vessel, and many of his workmen were sent west to bring it to completion.

The work was begun in 1810, and the census that year showed that there were more than 1 million Americans living beyond the Appalachian Mountains. Fulton sent his steamboat plans to Pittsburgh, but Nicholas and Lydia changed them to produce a larger, more stable boat. The steamboat *New Orleans*, the first on the western waters, was launched in May of 1811, and set out on her journey downriver on August 26. There were at first only minor problems. The water level was too low to pass the falls of the Ohio at Louisville, so Nicholas took advantage of the lull by taking the steamboat back up the river to Cincinnati, proving that it could easily outpace any keelboat going upriver.

Lydia, who had scandalized the matrons of Pittsburgh by accompanying her husband on the trip while eight months pregnant, had her second child in Cincinnati. On the last day of November, soundings at the falls showed that the water had risen enough to allow five inches of clearance for the steamboat, and the Roosevelts set out again. They sent their two children around the falls by carriage, and successfully ran the treacherous passage.

When they reached Indiana, Nicholas was gladdened by the sight of large piles of coal placed at intervals along the shore,

mined by the farmers he had hired. A fire in the ship's kitchen was dealt with successfully, and all seemed to be going well until the Roosevelt's large dog, Tiger, began pacing the deck and moaning. What came next was an earthquake so major that it occurred in the Mississippi Valley only every 350 years or so. It was dubbed the New Madrid Earthquake because its epicenter was near that small town in southeastern Missouri. The banks of the Ohio and Mississippi began to crumble, islands appeared where there had been none, and others disappeared overnight, one of which was serving as the tie-up point for the steamboat.

The air filled with sulphur, the sun was blacked out, and the desperate birds and farm animals of the area flocked to stay near the terrified humans. But the *New Orleans* was large and well-balanced, and was able to continue its journey, even though, as Lydia wrote, "I lived in a constant fright, unable to sleep or sew or read." Finally, as the steamboat neared Natchez, the earthquake began to abate, and the Roosevelts were greeted by cheering crowds. Only one person in Natchez, however, dared to risk sending a load of cotton to New Orleans on the new contraption. But the ship reached New Orleans in January, proving that steamboats could be used for swift passenger and freight runs on the Ohio and Mississippi. The *New Orleans* was subsequently put to work on the deeper New Orleans to Natchez run.

It was clear to Roosevelt that a ship designed for the Hudson had too deep a draft for the perils of the Mississippi. His father-in-law, Benjamin Latrobe, then invested heavily in a new firm with Roosevelt and Fulton to build shallow-draft steamboats at Pittsburgh. But the War of 1812 interfered, and Fulton died before the war ended. Both Roosevelt and Latrobe were plunged deeply into debt; Latrobe returned to working as an architect and the Roosevelts had to return to New York. But others took up the task, and from one steamboat on the western rivers in 1811, the number grew to 12 in 1817, and more than 60 by 1819, a fitting tribute to the daring spirit of the Roosevelts and the plans of Washington and Franklin.

All rights reserved © 2005 EIRNS

[top of page](#)

[home page](#)