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This Week You Need To Know

LaRouche: Iran Is Not the Problem; We Must Defeat Globalization

Here are Lyndon LaRouche's remarks to a private seminar in Berlin on March 6.

First of all, on the Iran crisis, the probable remedy in the short term, will come from negotiations between Russia and the government of Iran, because there is no other visible intermediary at this time which could probably do the job.

What we're looking for, is a time-buying operation. This was very unfortunate, bringing this crisis on from the United States and Britain, at this time, upon Iran. Iran had just had an election. It had things, internal affairs, to sort out after the election. And to bring this on, which was totally unnecessary, has created a danger for civilization, which Europe, in general, could not handle, and which is a problem for us in the United States itself, caused by Cheney.

I believe that there is a very good chance of success, of the intervention of Russia, as my opinion is echoed, I believe, by ElBaradei, the key negotiator. Europe can not at this point generally handle it, because Europe has internal problems also, in trying to deal with the United States, which would make it difficult for Central Europe, Western Europe, to deal with this problem at this time. So, I'm looking forward, optimistically, to the success of the Russian negotiations.

Now, if that were not to work out, we have a number of problems to discuss: First of all, what would be the effect of an attack if it came from the United States or some source sponsored by the United States? And what is really behind all of this nonsense? Were the attack to occur, it would probably result in a drive of the price of petroleum up to \$100 to \$150 a barrel, which would then be a crisis for Europe and other parts of the world in general, because we have a fragile economic situation, and the sudden zooming of the oil price to over \$100 a barrel, would be a crisis.

However, it goes much beyond that. At this time, we have already a major financial crisis under way, in terms of hedge funds, in terms of the things that happened in Iceland and New Zealand and so forth, and the world in general is going through a financial-economic crisis, headed toward a general collapse. So, under these conditions, the spread of a crisis in the petroleum-producing countries, nominally in Southwest Asia, which affects both Iran and the Arab countries adjoining it: There's an immediate danger to the Saudi oil fields under those kinds of conditions. If that were to go down, you can imagine what the effect would be, in terms of price of petroleum and the effect upon the economy of Europe, the United States, and other parts of the world. So, this is something that has to be prevented. The consequences of an attack on Iran, would be of that nature....

[...complete article, PDF](#)

Latest From LaRouche

THE NPT IS DEAD: WE NEED TO GO FOR LARGE-SCALE NUCLEAR ENERGY

Lyndon LaRouche was interviewed by Talksport Radio's James Whale on March 9, 2006. Talksport, which bills itself as "the UK's number one commercial radio station," last interviewed LaRouche on Aug. 1, about Cheney's "Guns of August" nuclear war threat against Iran.

JAMES WHALE: From the U.S., now, we're going to turn our attentions. Lyndon LaRouche from the U.S. political action committee, doesn't quite believe all the hype surrounding the crisis in Iran, which has been making headlines all week. In actual fact, he thinks the whole affair, has been London-orchestrated by this government! I see! That's interesting. And he joins me now.

Lyndon, a very good evening to you.

LYNDON LAROUCHE: Good evening to you.

WHALE: Lyndon, that's an interesting take on the situation. My take from yesterday is this: I'll tell you, then we'll have a chat.

I think Bush is a bit of a bully, I have to say. In fact, I know he's a bit of bully. And, he's just aggravating the situation, to make Iran behave in the way they have been, so that he can go *whack* them!

LAROUCHE: Well, it's a rather crazy idea on anybody's account, to try to do that. What we're talking about, essentially, is an aerial attack on the territory, by an assortment of forces, coming out places like Offutt Air Force Base in the United States. That's not a "go," yet. But that is what's being talked up from the Cheney side of things.

Now, from my view, that, we've got ourselves into a mess, because Iran had just had an election. They have internal complications which they have to sort out, as people do after any election, and this was the wrong time to push them.

Where, in the meantime, we already had an option, which is an agreement of Russia and China, in this area. And this thing, which ElBaradei of the relevant agency is dealing with, can work. We're very close to a successful conclusion on this. It may take a little more time, a little more patience, a little more talk, because we're dealing with various factions in Iran and you have to take that into account. But we have a safe exit from this, which fortunately is being provided to Europe, in particular, by the intervention of Russia, which actually has the backing of China, essentially on this, in the United Nations aspect.

On our side, on the United States, this is absolutely insane. We already have a mess in Iraq, which is beyond belief. There is no exit from an extension of this conflict to Iran which we could manage. There are some people who are desperate. And I think Mr. Straw, Jack Straw and Company, who've been playing the game of the old Arab Bureau fellow, Bernard Lewis, with this war against Islam thing. The essential thing here, is, when go down to the bottom line, is we are catering to a *global war against Iran*. Back to the Crusades, or back to the religious warfare of 1492-1648, that sort of thing.

WHALE: But surely, this is being driven by the George Bush religious fervor, don't you think?

LAROUCHE: No, I think the George Bush religious fervor crowd, is also something which is rather synthetic. I'm rather well-acquainted with it. It doesn't make much sense. It's not any kind of religion I want to touch, shall we say.

Rather, it's more Cheney, and we look behind Cheney, because Cheney really is not a giant, an intellectual giant. He's a bit of a thug.

WHALE: But, do you honestly think that Straw is actually more sort of involved in promoting this idea, and trying to make it sound as if it's coming from the Americans? I wouldn't have thought he was bright enough for that.

LAROUCHE: Straw is essentially closer to people who have a better understanding of what the implications are, than many of our people in the United States do. It's that kind of situation.

WHALE: You see, the problem, Lyndon, is, that you are okay over there in the States. We are a lot closer to where all this kicks off, than you lot are.

LAROUCHE: Well, this goes way back to 1763, and the victory of the East India Company in the Seven Years' War. So, there's been a process going on in Europe, ever since. And I don't believe in the short view of history. I think history has—the history of human beings—has a long cultural history, and if you want to understand what's happening today, you sometimes have to look back a couple hundred years into the roots of it.

WHALE: But, I mean, what is happening now, it seems to me to be totally stupid. I mean, we in this country, we have run out of soldiers, for a start.

LAROUCHE: Of course! This is absolutely insane, from the standpoint of the national interest of the United Kingdom, this is something that is not needed.

WHALE: The people of this country *will not tolerate* this government sending our troops to yet another area of the globe! They won't tolerate it.

LAROUCHE: I don't think they intend to send troops in there. I think this is a sense of making a mess, of an area which is already a mess. You've got the whole area of Southwest Asia, which is about ready to go up in smoke. Some people in Europe are worried about it, because they're looking at it from the standpoint of markets in Asia, as in Germany for example. Other countries which feed on the tit of Germany, are worried because the milk from that German tit is not going to be forthcoming, under this kind of condition.

I think the United Kingdom—I don't know exactly what the internal reactions are in the United Kingdom, of course—but I think it's certainly not in the interests of the United Kingdom to have this sort of mess going on in Asia. It certainly does eliminate all useful options.

WHALE: So, why do you think that the government, or members of the government are then sort of rattling this idea around people?

LAROUCHE: You ought to see the stupidity I deal with, in some of my own government. I'm not surprised to find out that the government of the United Kingdom also has a certain kind of obscene incompetence, running loose in it! [laughing]

WHALE: It's interesting to talk to you, Lyndon. You don't think this is some kind of weird conspiracy theory, you think this just ignorance by certain people.

LAROUCHE: It's ignorance, but it's also—you know, there are some people who think it would be better to have a world

without nation-states: It's called globalization. Under this condition now, with the financial weakness of governments, essentially you would have the fellows, the big-money fellows would be taking over, using their property titles which are being switched around with these derivatives and hedge-fund operations, think they can move in. And we have people in the United States, who are exactly for this. We have people on the Continent who are for this. "Let the corporations, or the big financial combines, take over and essentially run the world, and destroy most governments, keep a few, but keep them under control."

WHALE: So, do you think the Christian-Muslim thing is a bit of a red herring?

LAROCHE: I think it was already a red herring if you look back at the conditions of life, at the time it started under the Crusades. At that time, we had a very pleasant relationship with much of Islam, particularly from the previous period, from the Baghdad Caliphate for example, which was a friend of Europe! We had an excellent situation in the 14th Century, despite the wars going on in Spain: Relations among Christians, Jews, and Moors. So, that there is no intrinsic conflict, as Nicholas of Cusa, the great Cardinal of the 15th Century pointed out, there's no intrinsic conflict between Christianity and Islam on this level. You may have factions who call themselves Christian or Islamic, which are troublesome, but there is *no reason* to have this kind of religious warfare. We thought we got out of it once, with the Treaty of Westphalia, and there's no sense of getting back to it.

WHALE: So, what do you think, then, the end-game as it were, is going to be? I mean, the Iranians continue to say, "Well, listen we want to explore and maybe develop nuclear energy." I mean, we all have nuclear energy. Hey! We've all got nuclear bombs, to turn around to other countries to say, "We've got them, but you ain't having them!" Seems to me, to be just a little childish.

LAROCHE: Well, the problem here is, that we are now at a point, where we're going to reverse the past 30 years trend toward curbing nuclear power. We have a vast problem in raw materials, including the reliance on fossil water, which we're running short of. It's a global problem of fossil water. Therefore, we're going to have to go to high-temperature gas-cooled nuclear reactors, between the ordinary use of say, 120 to 200 MW, or 800 MW for producing hydrogen-based fuels. We're going to have to synthesize, with the aid of high-density nuclear power, many of the things, including fresh water supplies, that we need as a human species.

Therefore, what the United States did, in this very foolish way with India, was to blow wide open, the question of the Non-Proliferation Treaty, which has been kicking around in various forms since the 1950s. We're now at a point, we've opened the jar, and we're now going to have to decide what kind of a nuclear policy we're going to have, which is a change, which allows us to use nuclear power on a large scale, to remedy many of the *physical* economic problems, which have now become close to desperate, or will become desperate in the coming generation or so.

WHALE: What do you think—okay, moving on from that, you don't believe then there is going to be a crisis with Iran. You can't see that there's going to be another Iraq [overtalk]?

LAROCHE: It could happen. Because I don't underestimate insanity, and I've seen a lot of it around. There is no good reason for it. And I think at this point, ElBaradei has done his job; they've got negotiations down to the level, at which we're within the area of getting an agreement.

WHALE: So, it's now about saving face for all countries concerned?

LAROCHE: I think it's madness on the part of some people who want to continue this thing, for their own peculiar reasons. And I think it's foolishness and cowardice on other people—they don't step forward and stop this nonsense, which they ought to know is nonsense.

WHALE: Tell me, just finally, Lyndon, what you see as the final outcome of this ridiculous situation we've got ourselves involved in Iraq?

LAROCHE: Well, we're looking at something else which is much bigger, which is coming down on us now: It hovers around this Japan business of the carry-trade problem. A blowout of the Japan carry-trade, in one degree or another, will trigger a lot of things which are ready to blow in the financial system. We're looking at one of the biggest potential financial crises in all modern history, and we're going to have to deal with it. And this is a diversion from the fact that we need new forms of cooperation, to reorganize a bankrupt monetary-financial system, and to get economies, physical economies, actually moving again.

WHALE: Isn't that what the Americans used Vietnam for?

LAROCHE: No. It was another piece of insanity of a similar type. Sometimes people with—sometimes people are crazy, stupid, and malicious, all at the same time. And they get funny ideas about running some kind of an operation. There was no sense, from a strategic standpoint, in getting into the Vietnam War. But we did it. People afterward, in the military, say, "What fools we were! We should have seen how foolish it was from the beginning!"

Well, MacArthur said it was foolish. Eisenhower said it was foolish, at the time, before Kennedy was killed. And we did it anyway. It wasn't because we lacked the knowledge: Don't get into that kind of war! There are other ways of handling the problem—.

WHALE: Do human beings never learn?

LAROCHE: We have foolish people today. I tell you, in my government, we have some real fools, and we have some real cowards in some of the European governments.

WHALE: Lyndon, give us your website, so people can check out some more of your amusing—

LAROCHE: It's, well, there are two of them. There's larouchepac—one word [spells it], and that's the usual dot-com thing. And then, I have larouchepub also, which are also available, the same dot-com.

WHALE: Okay. Always nice talking to you, Lyndon. Thank you very much, then, for your time.

LAROCHE: Have fun.

WHALE: Thanks a lot, bye-bye.

Lyndon LaRouche Political Action Committee, you want to check out his website [spells both websites again, over the air.]

InDepth Coverage

Links to articles from

[*Executive Intelligence Review*](#),

[Vol. 33, No. 11](#)

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Strategic Studies:

[Blair and U.S. Accomplices Push Anti-Islam Crusade](#)

[by Jeffrey Steinberg](#)

On March 6, Lyndon LaRouche addressed a private gathering of prominent local figures in Berlin, Germany. The subject of his remarks was the so-called 'Iran crisis.' After reviewing the actual strategic crisis, posed by the intersection of the Anglo-American drive to provoke a needless military confrontation with Iran—to trigger an all-out war against the entire Islamic world, and the end-phase breakdown of the post-Bretton Woods 'globalized' floating-exchange-rate speculative financial system—LaRouche concluded on a note of great optimism, that challenged his immediate audience and reverberated overnight in policymaking circles around the world...

[LaRouche: Iran Is Not the Problem; We Must Defeat Globalization](#)

Here are Lyndon LaRouche's remarks to a private seminar in Berlin on March 6.

- [Why European Oligarchs Hate the U.S.A.](#)
[by Lyndon H. LaRouche, Jr.](#)
- [Strictly Speaking, There Is No Iran Crisis](#)
[by Lyndon H. LaRouche, Jr.](#)

[Documentation](#)

[Foreign Minister Lavrov: 'Russia in Global Politics'](#)

Moskovskiy Novosti (*Moscow News*), a weekly Russian newspaper, on March 3, 2006 published this article by Russian Foreign Minister Sergei Lavrov. An unofficial translation issued by the Russian Ministry of Foreign Affairs is published here.

Berlin Seminar:

[Deeper Strategic Realities Behind the 'Iran Crisis'](#)

A private EIR seminar in Berlin on March 2 was the occasion for a lively debate on what to do about the world strategic and economic crisis. Discussion focussed on what really lies behind the London-steered drive for war against Iran; the viability of the Nuclear Non-Proliferation Treaty (NPT); the superiority of the American System of politiceconomy over the European model of independent central banking; the history of the current 'imperial Presidency' in the United States; and the relationship between moral principle and law.

- [Jürgen Hübschen](#)
[Can Nuclear Conflict With Iran Be Defused?](#)

Mr. Hübschen is an independent Consultant for Peace-Keeping and Security Policy. He is a retired colonel, and former military attache' at the German Embassy in Baghdad.

- [Dialogue](#)
[The NPT and Mideast Peace Prospects](#)

...excerpts from the discussion following Col. Jürgen Hübschen's presentation to the Berlin seminar.

- **Clifford A. Kiracofe, Jr.**

U.S. Imperialism: The National Security State

Clifford A. Kiracofe, Jr., is a former Senior Professional Staff Member, U.S. Senate Foreign Relations Committee. He gave this speech to EIR's Berlin seminar on March 2.

- **Michele Steinberg**

Organizing in the U.S.A. To Get Cheney Out

Michele Steinberg is a Counterintelligence Editor of EIR. She addressed the Berlin seminar on March 2.

International:

In Israeli Elections, It's Shultz/Cheney vs. Sanity

by Dean Andromidas

After the victory of Hamas in the recent Palestinian elections, George Shultz and his crony, Vice President Dick Cheney, are taking no chances with the upcoming Israeli elections. They are doing what they can to ensure that a government comes to power over which they can exercise control, and when necessary, use it to strike against Iran, or otherwise start a new Middle East war.

Fact vs. Fiction in The 'Iran Crisis'

by Muriel Mirak-Weissbach

If the U.S. and U.K. neo-cons lied to get into the Iraq War, why shouldn't they lie to prepare a military strike against Iran? On March 8, British and American war mongers went into overdrive in their rush to dupe public opinion that the issue of Iran's nuclear program is swiftly on its way to being declared a casus belli by the United Nations Security Council. Nothing could be farther from the truth. Consider the facts, and then the lies.

Book Review

Gödel and Einstein: The War Against Empiricism

by Mike Billington

Incompleteness: The Proof and Paradox of Kurt Gödel

by Rebecca Goldstein

New York: W.W. Norton Co., 2006

224 pages, paperback, \$13.95; hardcover, \$22.95

Rebecca Goldstein's remarkable book on the life and work Kurt Gödel is a very useful contribution to a very old debate, and is even a call to arms in some respects, for the world re-engage in that debate.

Economics:

RECONSTRUCTION FINANCE CORPORATION

How Roosevelt's RFC Revived Economic Growth, 1933-45

by Richard Freeman

The most crucial element of the American System, is the role of Federal credit in promoting the investment in development and maintenance of essential public elements of the nation's basic economic infrastructure, while promoting long-term investment in private entrepreneurial ventures of a type which are to be desired in the general interest. This action is premised on the crucial, constitutional principle of our system, that the creation and issue of legal currency, is a monopoly of the Federal government. This is also the case in practice when, as under Franklin Roosevelt's Presidency, devices such as the Reconstruction Finance Corp. (RFC), were used as a vehicle for accomplishing this result.

—**Lyndon H. LaRouche, Jr.**,

'Deficits as Capital Gains: How to Capitalize a Recovery,' EIR, Jan. 27, 2006

Mittal-Arcelor Steal: Behind the Fairy Tale

by Jacques Cheminade

Mr. Cheminade is the pre-candidate for President of the Solidarity and Progress party in France. This abridged version of his article has been translated from French.

'An Indian ogre, Mittal Steel, has launched the biggest hostile takeover bid in the history of the European steel industry, to grab hold of European giant Arcelor. A plum industry may thus fall into the lap of a third world, familyrun group.' Those lines are the children's fairy tale version recounted by mass media, concerning a gigantic financial operation that, in its initial stage, represents roughly 18.6 billion euros, with billions more to come...."

'Locust Funds' Seizing German Housing Sector

by Rainer Apel

The big run by the international 'hot money' crowd on Germany's real estate and its public-housing sector in particular, is heating up. 'Super Returns,' the theme of a conference in Frankfurt on Feb. 20, of several hundred hedge funds, private equity, and other funds, indicates their expectations: generating giant revenues from big shares of public housing which are bought at a favorable price from cash-strapped municipalities.

National:

Bush's Budget Is Another War and Austerity Budget

by Carl Osgood

The scandal-ridden Cheney-Bush Administration sent up to Capitol Hill, on Feb. 6, another 'guns, not butter' budget for Fiscal Year 2007. It targets dozens of social safety net and public health and safety programs for spending reductions and outright elimination, while increasing spending for Dick Cheney's perpetual wars in Iraq and Afghanistan, as well as the 'security' functions of government, especially homeland security.

Bush's Katrina Fiasco: Is the U.S.A. Ready for 2006 Hurricane Season?

by Mary Jane Freeman

Hurricane Katrina hit the U.S. Gulf Coast states in the early morning hours of Aug. 29, 2005. Now, investigative documents, tapes, and reports released by U.S. Senate and House committees reveal the extreme negligence of the BushCheney Administration in any effort to mobilize assets to save lives. The President and his key homeland security advisors knew the dangers of the unfolding storm before it struck. A government videotape leaked to the press on March 1 speaks volumes...

U.S. Economic/Financial News

GM Board Considers Dirty-Money Cerberus Bid for GMAC

General Motors Assistance Corp.'s board was scheduled to meet March 6, to review the bid by the dirty-money-linked Cerberus hedge fund for 51% of GMAC, in which bid Cerberus is joined by Citigroup. The bidders are offering between \$11 and \$12 billion. If tentatively approved, GM would convene a formal board meeting in June to accept the offer.

Some in the GM leadership are not enthusiastic about parting with a majority share of GMAC, since the latter entity earns between \$2.5 to \$5 billion in profit per year. But the Wall Street-City of London financiers are using credit downgrades—Fitch downgraded GM on March 1—and outright threats to push the deal through for Cerberus. Bloomberg.com reported March 6 that the major three credit-rating agencies—Fitch, Moody's, and Standard & Poors—have delivered warnings. "All three said they will cut [the credit rating of] GMAC back to par with GM without a sale." S&P had put GMAC's separate credit rating five levels above that of GM; were GM not to sell GMAC soon, S&P would slash GMAC's credit rating five levels.

Moreover, GM, which lost \$8.55 billion in 2005, is having a fire sale, in a desperate bid to raise cash:

* Both Japan's *Asahi News*, and *USA Today*, reported March 6 that GM is about to conclude a deal to sell a 17.4% stake in Suzuki Motor Company for about \$2 billion, leaving GM with only a 2.6% stake in Suzuki.

* GM is also in discussions to sell more than 60% of GMAC Commercial Holding Corp., a real estate firm, to a consortium led by KKR private equity firm and Goldman Sachs.

* The March 5 *Detroit News* reported that GM and the UAW "are in advanced talks on buyout offers for up to 20,000 [GM] hourly workers," as a leading feature of the plan to shut down large parts of GM production in North America.

Wilbur Ross Circling Around Auto-Parts Sector

As the U.S. auto-parts sector—which possesses advanced machine-tool capability, and twice the production workers as the motor-vehicle sector proper—shuts down, Rothschild banker Wilbur Ross is attempting to gobble up the assets cheaply. On March 2, asset-stripper Ross bought up the European operations of the large American parts supplier Collins & Aikman, which is in bankruptcy. He is now attempting to purchase, as well, Collins and Aikman's domestic operations. On March 3, Dana Corp., a very big auto-parts producer, went bankrupt. On March 5, *Detroit News* columnist Daniel Howes boasted, "At this rate, the opportunities for Ross & Co. could be endless. Pieces of C&A, Dana, Oxford Automotive, bankrupt Delphi and castoffs from Visteon Corp—all of them could find themselves part of Ross' aptly named International Automotive Components." Taking control of these properties, Ross would loot them, as the deaths of miners earlier this year at the mining properties of Ross's International Coal Group, testify.

Severe Drought Afflicts Southern/Southwest U.S.

It's not a pretty picture. The drought-stricken sector of the U.S. stretches across the Gulf Coast swath that was hit by Katrina, and encompasses much of Arkansas, Missouri, Illinois, Kansas, Nebraska, South Dakota, and eastern Colorado. Then it gets worse—in Oklahoma, Texas, New Mexico, Arizona, and northern and western Mexico.

What has been going on for months has started to get national press attention. Phoenix went 143 days without rain before it got a rain storm a few days ago. Santa Fe has had its driest winter since 1890, getting just over a quarter-inch of rain since November. Some mountainous areas in the Southwest that average more than 100 inches of snow each winter have received less than an inch all season. Of the U.S. Resources Conservation Service's 34 snow-measuring sites in Arizona, 29 had no snow at all this winter.

What is real now is wildfire. Even before the winter drought took hold, more than 8 million acres of state and Federal lands across the country were burned last year, the largest amount since the record year of 2000. "It looks like we're at the driest we've been in 40 years," said Santa Fe National Forest forest-fuels specialist Tom Johnston.

Is Farmland Speculation the Next Big Thing?

The purchase of farmland by developers to be used for anything from hunting and fishing preserves to housing developments has driven the average price for farmland up by 11% over the last year, with some areas seeing a rise in prices of 40%—as in Maryland and Florida, *USA Today* reported March 9. Virginia farmland values reportedly rose a mere 21% over the last year.

Bernanke Warns Small Banks of Danger in Commercial Real-Estate

Federal Reserve Board Chairman Ben Bernanke, in prepared remarks to Independent Community Bankers of America conference in Las Vegas March 9, warned smaller community banks of a potential danger in their commercial real-estate exposure. Bernanke said, that although community banks—defined as banks with assets of a billion dollars or less—have been doing quite well, and are likely to continue to do so, they "face a changing business environment that presents a number of important long-run challenges." Among those challenges are those involving "financial and risk management," which centers on community banks' increasing focus on commercial real-estate lending, "leading to a significant shift in the balance sheet and risk profiles" of these banks. This rapid growth, Bernanke said, may have outstripped risk-management practices. Bernanke also criticized a loophole that allows commercial companies, e.g., WalMart, to own banks.

World Economic News

Bank of Japan Cuts Liquidity; Keeps Rates at Zero—for Now

In a first step to ending its zero-interest-rate policy, the Bank of Japan (BoJ) on March 9 decided to drastically cut the amount of excess liquidity which it guarantees for the Japanese interbank money market. Since Spring 2001, the target had been set in the range of 30 to 35 trillion yen, (almost \$300 billion). Now, the target has been cut down by about 80% to 6 trillion yen (about \$50 billion). The reduction will be made gradually over several months in order to avoid disruptions. While the reduced amount of liquidity is expected to slowly increase market rates, the BoJ prime rate remains at zero for the moment.

This compromise decision was announced by the bank after massive pressure from the highly indebted Japanese government, and much more intense pressure behind the scenes from the international financial community. In view of coming rate increases in Japan, Europe, and the U.S., which would undermine the various global "carry trades," there have already been two rounds of panic selling in recent weeks, each hitting stocks, bonds, and currencies of almost every so-called "emerging market" around the globe.

The first round was triggered by the "Iceland crash" in February, while the second appeared on March 6-7; on March 7 alone, emerging stock markets suffered their biggest overall crash in the last two years. Stock markets in Russia, Turkey, and throughout Latin America plunged by 3% to 6%, risk premiums on respective government bonds shot up, and currencies like that of Brazil, Turkey, and South Africa were sinking. The sell-off was accompanied by panic sales on commodity markets, in particular, effecting base metals such as copper, zinc, and aluminum, all at multi-year highs due to hedge-fund speculation.

Commodity Market May Be First To Go

The commodity market may be the first casualty from the carry-trade collapse, thestreet.com said March 9. Because the commodity investors (hedge funds) are all in long positions (betting on further price rises), "one key impact to watch is how the tightening [in liquidity due to rising interest rates] weighs on commodity prices, and whether it forces an unwinding of commodity-related trading strategies." While lower commodity prices should be good for the economy, the investor website warns that there are "sizeable financial positions" betting on rises.

BIS Quarterly Report Highlights Emerging-Market Bubble

The overview of the latest quarterly report of the Basel, Switzerland-based Bank for International Settlements (BIS), released March 9, headlined "Emerging markets soar to historic highs," highlight financial bubble in this sector, itself a

byproduct of the worldwide "carry trades." The BIS notes: "Asset prices in emerging markets rallied to record highs early in the new year. Foreign investors snapped up emerging-market bonds and equities, pushing indicators of valuations towards and in some cases beyond the upper end of their historical range." On top of "already impressive gains in 2005," bonds, equities, and currencies of emerging markets again "rallied strongly in January and February."

It continues: "Equities posted the largest gains. Almost all emerging equity markets had recorded double-digit increases in 2005, led by Egypt, Colombia and Saudi Arabia, where prices had more than doubled. This rally "was driven in large part by massive inflows of foreign capital." At the same time, emerging markets were able to sell \$231 billion of bonds on international markets in 2005, an all-time high and 52% more than in the previous year. Such bonds, on the average, were offering yields of almost 12% in 2005, according to private estimates.

Another high-yield, high-risk market receiving huge capital inflows in 2005 was the corporate bond market, including junk bonds: "In recent months there has been no let-up in the rapid pace of mergers and acquisitions (M&As), including leveraged buyouts (LBOs). Acquisitions totalling \$3.2 trillion were announced in 2005, up almost 30% from 2004 and the highest level since 2000. More worry for credit investors, LBOs in 2005 reached their highest level since the buyout frenzy in the late 1980s—a frenzy which contributed to a sharp increase in corporate defaults soon afterwards. Furthermore, in contrast to the 1980s, the recent increase in LBO activity was not limited to the United States. Indeed, more than half of all deals involved firms outside the United States, mainly in Europe but also in Asia."

ADB Calls for Investment in East Asian Infrastructure

Addressing the Mekong Development Forum at Singapore on March 8, Asian Development Bank vice president Liquan Jin said: "High savings rates and large export earnings that the stronger Asian economies have experienced through several decades of outward-looking growth, have enabled them to build up enormous capital funds and foreign exchange reserves. The irony, however, is that much of these financial resources are currently invested outside the region, while the region hungers for investment funds."

Jin said, "The challenge, therefore, is to keep these funds in Asia, invested in Asia to support the region's development, and, in addition, to attract foreign capital into the region's emerging economies." Jin said East Asia's infrastructure needs an estimated \$1 trillion over the next five years, and this can be met by keeping some of the region's vast financial reserves for investments at home.

United States News Digest

Former DOJ Lawyer Disputes Cheney on NSA Spying

A former top Justice Department official who oversaw national security issues from 2000 to 2003, has challenged the Bush Administration's legal justification for its NSA domestic surveillance program, according to various media accounts March 9. David Kris, a former Associate Deputy Attorney General, wrote to a former colleague at DOJ on Dec. 22 that the argument advanced by Attorney General Alberto Gonzales "maybe reflects the VP's philosophy that the best defense is a good offense (I don't expect you to comment on that)."

Kris was referring to the DOJ making Cheney's favorite Article II "inherent-powers-of-the-President" argument, as its leading argument to try to justify the wiretaps. Kris says that the "inherent powers" argument seems "relatively weak," and that the DOJ arguments "have a slightly after-the-fact quality" to them.

Rumsfeld Placing Special Forces in U.S. Embassies

The Pentagon is putting small teams of Special Operations Forces troops in embassies in an increasing number of countries, for the alleged purpose of gathering intelligence on terrorists, and preparing for missions to kill or capture them. This was reported in the March 8 *New York Times*, and discussed in a House Armed Services Committee hearing on the U.S. Special Operations Command (SOCOM) budget, the same day.

The placement of these "hunter-killer" units, called Military Liaison Elements, in embassies, is provoking opposition from the CIA and other traditional intelligence agencies who view this as a Pentagon intrusion. One former CIA official says that "the current militarization of many of the nation's intelligence functions and responsibilities will be viewed as a major mistake in the very near future." And, he added, "if the planned SOCOM presence in U.S. embassies abroad is an effort to pave the way for unilateral U.S. military operations, or to enable defense elements to engage in covert action activities separate from the CIA, U.S. problems abroad will be certain to increase significantly."

Senators Demand Abu Ghraib General Not Be Allowed To Retire

Senators John Warner (R-Va) and Carl Levin (D-Mich), the two senior members of the Senate Armed Services Committee, have sent a letter to the Secretary of the Army demanding that Maj. Gen. Geoffrey Miller's planned retirement "be held in abeyance" until two courts-martial of dog-handlers at Abu Ghraib are completed, Salon reported March 7. The Army has reportedly agreed.

Keeping Miller, the former commander at Guantanamo, who went on to "Gitmo-ize" prison operations in Iraq, on active-duty status, makes it easier for the Senate Armed Services Committee to compel Miller's testimony, should they decide to hold more hearings. It is also easier to prosecute someone on active duty, than one who has retired.

Miller denies telling former Abu Ghraib commander Col. Thomas Pappas that he could use dogs in interrogations, and has taken the military equivalent of the 5th Amendment privilege not to testify on grounds he might incriminate himself, in the dog-handlers' courts-martial. Pappas, who has been granted immunity, will testify at the courts-martial.

"We've got two conflicting stories out there that cannot be reconciled," said Sen. Lindsey Graham (R-SC), also a member of the Armed Services Committee. "Shame on us if we'll allow a story to go forward that is not true, and the two dog-handlers are paying the price."

Dubai Ports Deal Is Off

Dubai Ports World announced that it will turn over all operations at U.S. ports to a U.S. entity. This was announced in a floor statement read by Senate Armed Services Committee chairman John Warner (R-Va) on March 9. Warner said, "The reason is to preserve the strong relationship between the United States and the United Arab Emirates."

Warner's announcement followed by one day, the repudiation by both Republicans and Democrats, of President Bush's demands that the deal go through, including threats to veto any bill prohibiting the sale, as the House Appropriations Committee voted 62 to 2 to block the deal.

Rockefeller Denounces Shutdown of NSA Investigation

Under heavy pressure from the White House—led personally by Dick Cheney, according to the *New York Times* March 8—Republicans on the Senate Intelligence Committee voted on March 7 to block any investigation of the NSA domestic spying program, instead setting up an impotent seven-member subcommittee to "oversee" the wiretapping program.

Senator Jay Rockefeller (D-WVa), the senior Democrat on the committee, came out of the session and angrily charged that the committee's chairman, Pat Roberts (R-Kan), was under control of the White House, and that the committee's Republicans were acting at the direction of the White House in voting against an investigation. "It's an unprecedented bout of pressure from the White House," Rockefeller said. He also said that the committee can't "legislate in darkness and ignorance," since the White House won't answer questions about the NSA program. "The worst mistake we could make at this juncture," he said, would be to amend the FISA law without knowing all the facts.

Senator Arlen Specter (R-Pa), chairman of the Senate Judiciary Committee, is threatening to write legislation to limit funding for the NSA surveillance program if he can't get more information about it. "If we cannot find some political solution to the disagreement with the Executive branch," Specter said, "our ultimate power is the power of the purse."

'20th Hijacker' Repudiates What He Calls Torture-Induced Confessions

Mohammed al-Qahtani, the so-called "20th hijacker," whom the Pentagon claimed had provided vital intelligence during interrogations at Guantanamo, has now repudiated all of his "confessions," which he says were made under brutal torture. His lawyer, from the Center for Constitutional Rights, after spending more than 30 hours talking with him through an interpreter, told the March 13 *Time* magazine that al-Qahtani appears to be a broken man, fearful and at times disoriented; he says he could not take the months of isolation, torture, and abuse, during which he was nearly killed, and therefore he made false statements to please his interrogators.

Al-Qahtani gave information about 30 his fellow Guantanamo prisoners, and his statements were used by the Pentagon before special military tribunals to justify their indefinite detention as "enemy combatants". A number of these detainees are now challenging the government, claiming that al-Qahtani's information was extracted under torture, and is therefore unreliable and inadmissible in court. This will come up in a number of pending court cases, which the DOJ is trying to get thrown out.

Defense Department Unions Vote No Confidence in Rumsfeld

The leadership of the American Federation of Government Employees, joined by AFL-CIO president John Sweeney, announced March 7 that AFGE's Defense Conference, representing union members employed by the Department of Defense, voted unanimously for a resolution expressing no confidence in Secretary of Defense Donald Rumsfeld, which amounts to a call for his resignation. The call comes in the aftermath of a Federal court decision, the week before, dumping Rumsfeld's National Security Personnel System because it "eviscerates" the collective bargaining rights of union members.

AFGE president John Gage declared that the decision means that the DoD has no credibility on civilian employee issues, and that Rumsfeld has proven that what he says and what he does are two different things. "The bond of trust between Department of Defense employees and Rumsfeld is now broken," he said. The union will be using the resolution as an organizing tool to tell Congress to "pull the plug on this thing," as Gage put it, and to increase pressure for Rumsfeld's departure.

The March 7 *Wall Street Journal* editorialized for Rumsfeld to stick to his guns, and denounced *Republican* Senators Susan Collins (Maine) and George Voinovich (Ohio) for adding language to the Senate legislation that retained the right to collective bargaining. This legislation was then cited by the judge in the Federal court decision, to overthrow the Pentagon's union-busting plan.

Administration Targets Journalists and Sources on Leaks

The Bush Administration is targeting journalists and their government sources over leaks of classified information. Dozens of employees at the CIA, the NSA, and other intelligence agencies have been interviewed by FBI agents, who are particularly investigating the leaks about secret CIA prisons and the NSA's domestic spying program. Numerous employees at the CIA, FBI, Justice Department, and other agencies also have received letters from the DOJ prohibiting them from discussing even unclassified issues related to the NSA program, and CIA employees have been polygraphed. The DOJ is also warning that reporters could be prosecuted under espionage laws.

The sticky wicket for the Administration in this, is that is itself notorious for leaking classified information favorable to its policies, to "kept" reporters such as Bob Woodward and Judith Miller, or, as *EIR* has documented, to *Washington Times* reporter Rowan Scarborough, who wrote a puff-piece book on Donald Rumsfeld full of classified information that he was given by the Pentagon. Not to mention the Valerie Plame disclosure. Maybe Dick Cheney will claim that he was authorized to declassify all of this!

Ibero-American News Digest

Kirchner Slams Beef Cartels for Price Gouging

Argentine President Nestor Kirchner has halted beef exports for six months to all but a few markets, in a dramatic move against the cartels and speculators responsible for jacking up the beef price by 26% this year—10% on March 8 alone. After consultation with the President March 8, Finance Minister Felisa Miceli announced the "emergency" measures, which also include a 10% increase in taxes on exports of higher-quality cuts of meat. The government will continue to meet its "Hilton quota" of high-quality cuts to the European Union, and to governments with which it has bilateral accords. But 600,000 tons that would normally be exported will now be directed to the internal market to increase supply and bring down the price.

The price of meat has been climbing steadily day by day, for no explicable reason except speculation. Large producers have been withholding cattle from market to drive the price up. Addressing a crowd in Avellaneda March 8, Kirchner said he had had enough. As soon as February's lower inflation rate was announced, he noted, "suggestively, the meat price started going up, and up. If they think this is a President who will sit with his arms crossed, they are mistaken," Kirchner warned. "Beef goes first to Argentines at prices they can afford. We're not interested in exporting beef at the expense of the hunger, and the pocketbook, of Argentines."

The free-marketeer large exporters and foreign-owned slaughterhouses are protesting that the government is interfering with the "market," and will cause thousands of farm hands to lose their jobs. But the Argentine Agrarian Federation (FAA), representing small and medium-sized producers, welcomed the state's move and urged it to devise an "integral plan" for the cattle-raising sector. "There is no logical explanation" for the price increase, said FAA vice president Ulises Forte. "There is some dark hand operating here, which obviously doesn't involve small and medium-sized producers."

Spanish Oil Company Execs on the Lam in Bolivia

Bolivian authorities in the city of Santa Cruz raided the offices of the Andina company, an affiliate of the Spanish oil giant Repsol-YPF on March 9. Repsol has been cooking its books in Bolivia (and other countries), misreporting its reserves, and is accused additionally of engaging in contraband of 230,000 barrels of oil, worth \$9.2 million. The two Andina/Repsol executives whom authorities were seeking in connection with the case were not found in the company's Santa Cruz offices, and are now considered fugitives from justice.

Regional Leaders Press U.S. To Talk with Chavez

"There are no plans to see the Venezuelan President," U.S. Secretary of State Condoleezza Rice told journalists March 9, before she headed off for Chile, where she and Hugo Chavez both attended the inauguration of President Michelle Bachelet on March 11. Rice did announce that she will meet Bolivian President Evo Morales while in Chile, however.

The same day Rice was saying no, Venezuela's Ambassador to Chile, Victor Delgado, reiterated that Chavez is open to meeting with Rice. "Human beings, open-minded and open-hearted, like President Chavez, do not have any problem. Let us remember that the last time he referred to Condoleezza, he sent her a kiss," Delgado said. (He did refrain from repeating Chavez's earlier suggestion that someone should get Condi a boyfriend, to aid world peace.)

In February 2006 Congressional hearings, Rice had described Chavez as "particularly dangerous" and called for unity against his "Latin brand of populism that has taken countries down the drain." Regional leaders are trying to get the Bush team to back off from this isolationist policy. Outgoing Chilean President Ricardo Lagos warned, in an interview with the Chilean daily *La Tercera* on March 5, that it is "an error to demonize him." Chavez may have "a certain view of things, but this doesn't mean he is a destabilizing force in the Americas."

For his part, Brazilian President Lula da Silva revealed in an interview in the Feb. 24 issue of the London *Economist*, that he has urged Bush to sit down and dialogue face-to-face with Chavez, to defuse tensions between the two countries. "The U.S. needs Venezuela ... and Venezuela needs the U.S.," Lula said. "If there were errors in the past, we must now construct a path to the future, as if we were rebuilding a bridge that had been destroyed. And I—you may think I'm a dreamer here—but, I really believe this is possible, because Brazil would do everything we can to avoid conflict in South America."

Uruguay Accelerates Free-Trade Drive with the U.S.

A special congressional commission of Uruguayan President Tabare Vasquez's ruling Frente Amplio-EP coalition has produced a document which calls for changing the current program of government to include the desirability of negotiating bilateral trade deals with governments outside the four-nation customs union, Mercosur, to which it belongs. As it is now written, the program states that trade deals within Mercosur are a priority. On March 26, a full plenary session of the Frente Amplio will discuss the document, and debate is expected to be heated.

This occurs against the backdrop of the orchestrated border dispute between Argentina and Uruguay over the building of two paper mills in Uruguay, which has heightened tensions within Mercosur. Argentine President Nestor Kirchner and Vasquez have so far not met to discuss that conflict, although there was some hope they would do so at the March 11 inauguration in Santiago of incoming Chilean President Michelle Bachelet.

Wall Street and London financiers find Uruguay a useful tool to deploy against the integration initiatives of the South American "Presidents' Club." Although Vasquez is considered to be a "leftist," as early as June 2005 his Deputy Finance Minister Mario Bergara boasted to a seminar of the Inter-American Development Bank (IADB) in Washington that the days of popular mobilizations against privatization of state companies are over, and that it is now possible to impose the structural reform advocated by the International Monetary Fund that the Frente Amplio once denounced. Bergara, like Finance Minister Danilo Astori, lavished praise on the Chilean model, contrasting it to what he characterized as Kirchner's "disastrous" public-sector policies. In an interview published March 1 with the Spanish magazine *Contrapunto*, Vasquez emphasized that Uruguay's position on the Free Trade Area of the Americas (FTAA) at the November 2005 Summit of the Americas was not one of rejection. "Rather, our proposal was to discuss the possibility of the FTAA, on a different basis."

Uruguay's Industry Minister Jorge Lepra, a former executive of Texaco-Uruguay, was in Washington for five days of meetings March 6-10, to discuss setting up a binational commission that would do the groundwork for an eventual free-trade agreement. These moves against Mercosur are certain to provoke disagreement among more nationalist factions of

the Frente Amplio, to which Foreign Minister Reynaldo Gargano belongs.

Colombian LaRouchistas Issue Call To Stop Aznar Plan

Colombians should help LaRouche defeat Dick Cheney by rejecting former Spanish President Jose Maria Aznar's lunatic call for Colombia to join NATO in a war on Islam, Senate candidate Max Londono, president of the LaRouche Association of Colombia, urged in a statement released by his campaign March 7. Londono is running for Senate on the Alas Equipo Colombia slate, one of the coalitions backing the re-election of President Alvaro Uribe Velez.

In his campaign statement, Londono wrote, "During his recent visits to Washington, Brussels, and Madrid, Aznar proposed that Colombia join U.S. Vice President Dick Cheney's global war against Islam. Aznar, Cheney's closest ally in Spain, says NATO must be transformed into a global force against Islam, and that Colombia should join this new crusade, as an 'associate' of the restructured NATO.

"Aznar and Cheney have not the slightest interest in bringing peace to Colombia, unless it is the peace of the grave, that the U.S. invasion of Iraq has brought to the Middle East. They just want to seize our country as a base of operations for their drive to unleash a fratricidal war among the nations of South America, so that they can crush the great infrastructure projects that our nations need to integrate and develop, even before they have begun. Our future lies with the physical integration of South America, and not with the integration of the would-be imperial troops of NATO! That is why the central focus of my campaign for Senate is to pull together the political support to integrate Colombia both with the rest of the Americas, and internally, through great railway and development corridors...."

Coca: Breakfast of Champions!

Peruvian Presidential contender and "ethno-fascist" Ollanta Humala is proposing to address the problem of child malnutrition in his country by feeding schoolchildren bread cooked with coca every morning. Why bother with real food when you have all that coca leaf growing everywhere?

If Humala wins the election, 27 million loaves of bread made with 5% flour from coca leaf, the raw material of cocaine, would be prepared daily for distribution at school breakfasts around the country. Humala's aide Daniel Abugattas told the press that a 1970s study found coca leaf to be high in protein and vitamins. The reference may be to a 1975 study by a group of Harvard professors, which claims that coca leaves weighing 100 grams contain 18.9 calories of protein, 45.8 mg of iron, 1540 mg of calcium and vitamins A, B1, B2, E and C.

Former Peruvian Interior Minister Fernando Rospigliosi said other studies have proven that these nutrients cannot be absorbed from the coca leaf, which when chewed, releases a stimulant that supposedly staves off hunger and fatigue. The debate on whether the coca leaf is addictive still rages.

Humala's idea is not original. One month ago, Bolivian Foreign Minister David Choquehuanca declared that "coca has more calcium than milk. It should be part of the school breakfast." Move over, Wheaties!

Western European News Digest

German Foreign Minister Warns vs. Iran Saber-Rattling

In an exclusive interview with the March 12 *Bild am Sonntag*, the Sunday edition of Germany's largest tabloid, German

Foreign Minister Frank-Walter Steinmeier warned categorically against any escalation of the dispute with Iran, for example through military threats. Excerpts of the interview were already out on the wires March 11. Politicians in the West, he said, should avoid getting carried away into saber-rattling, which would undermine the ongoing diplomacy. Steinmeier said during the week of March 12-18, the UN Security Council would send an unmistakable diplomatic message to Iran, which effort should not be neutralized by gestures of muscle-flexing against Iran. "This is the hour for diplomacy," and the conflict should be handled by diplomats, Steinmeier said.

Deutsche Bank Economist: Elderly Pay Raises a Waste

Norbert Walter, the chief economist of Deutsche Bank and head of its economic research division, said, in an interview published by Bremen media March 6, that wage increases for workers and employees above age 60 make no sense, as the total wage sum is limited. Instead, younger workers should receive higher pay.

Walter made one exception from his scandalous new rule: Because of their "valuable" special experience, corporate management should naturally receive higher pay, including after age 60.

SPD Head Calls Atom and Oil 'Resources of the Past'

At the Social Democratic Party (SPD) energy conference in Berlin March 6, national party chairman Matthias Platzeck said that "progress must stop going at a snail's pace," and called nuclear power and oil the "energy sources of the past," which have to be replaced by "sources of the future." That is why the SPD would never again say "yes" to the atom, he added.

The SPD's Minister of Environmental Affairs in the Grand Coalition government, Siegmund Gabriel, told the conference that "we must regain freedom, and that means to be free from the atom and oil." The SPD's policy on the energy of the future should be wind, solar, conservation, efficient use of hard and brown coal, and natural gas. The SPD otherwise insisted that at the planned national energy summit convoked by Chancellor Angela Merkel (CDU), atoms be kept off the agenda.

The aforesaid may have to do with the recent London meeting between Platzeck and Prime Minister Tony Blair, about which little was made known, and with the March 3-4 Policy Network conference in Venice, about which even less is known. The Policy Network is chaired by Peter Mandelson of New Labour. Anthony Giddens, another Third Way spin doctor, plays a key role in the Network.

Platzeck's long-time advisor Tobias Duerr attended the meeting in Venice (another former Platzeck advisor, Sebastian Heil, is now general party manager of the SPD). Duerr is publisher of the *Berliner Republik*, journal of the so-called "SPD Party Left," or "Networkers," as they call themselves.

BueSo Rally on Hedge-Fund Crisis Covered in German Paper

The default of the Munich-based Hedge Fund Lion Advisors is the theme of reflections in an article in the financial market section of the *Sueddeutsche Zeitung* March 10. The *SDZ* runs a large full-color photo showing a rally of the BueSo (Civil Rights Solidarity) party, headed by Helga Zepp-LaRouche, last year, with a banner saying: "That which nobody except us dares to say: Hedge Funds are imploding! Collapse by 40%! Systemic crisis of the banks is in full swing!—BueSo 2005."

The picture is captioned: "Loud warning: hedge funds are seen as flexible, but risky investment instrument. Among citizens and investors, they often are met with skepticism."

Chirac in Saudi Arabia: Guns and Money

At a press conference March 7, French President Jacques Chirac said he thought Hamas, which won a majority in Palestinian elections recently, should be given time to form a government, and that he opposed sanctions. Saudi Foreign Minister Prince Saud al-Faisal, who announced that a Hamas delegation would visit Saudi Arabia within days, said his country held the same view, adding that they would meet with no preconditions.

Chirac otherwise focussed on defense deals for big bucks: a multibillion-dollar security deal is under discussion, with a plan for France to sell Rafale fighters and Miksa electronic border-monitoring systems to the Kingdom. The deal is for 48 fighters, to be followed by 48 more, to the tune of \$7.2 billion. The monitoring system with 225 radars, a telecom network, and recon aircraft, has a price tag of \$8.4 billion.

As regional experts have emphasized, France, in a Sykes-Picot reflex, is moving aggressively to position itself in the region.

Italian 'Southern Bank' To Be Led by Bourbons?

The Founding Committee for the "Banca del Sud," the new bank which is supposed to finance the development of Southern Italy, was announced on Feb. 24 by Italian Finance Minister Giulio Tremonti, the author of the project. The chairman of the committee is Gerlando Gesualdi, current deputy chairman of the European Investment Bank; the first deputy chairman is Tremonti's cabinet chief, Marco Milanese; the second is Prince Lilio Sforza Ruspoli; honorary chairman is Prince Charles of Borbon-Parma.

Lilio Sforza Ruspoli is currently candidate with the neo-fascist party Forza Nuova. An advocate of a neo-physiocratic "no-global" policy ruled by a feudal system of old Roman families under the Pope as King, Ruspoli hosted the founding meeting of the "Italian neo-con movement" that was chaired by Michael Ledeen last November.

Prince Charles of Borbon is the heir to the dynasty that ruled Southern Italy until 1860, first as viceroy to the Spanish Hapsburg Empire, then as King of the Kingdom of the Two Sicilies. With the exception of Charles VII of Naples, who became Carlos III of Spain, the Borbon dynasty has savagely looted Southern Italy over the centuries. Notably, Charles VII's son Ferdinand did a particularly nasty job by first handing over his government to Britain's Lord Acton, and then allowing Britain's Horatio Lord Nelson to crush the pro-republican movement in 1799.

Emanuele Filiberto of Savoy, whose ancestor Victor Emmanuel II destroyed the Borbon kingdom in 1860, endorsed Prince Charles of Bourbons role in the new bank.

Blair Confesses: 'I Am a Trotskyist'!

"I might as well make a confession now," Blair said at London's Commonwealth Club earlier this week. "There were people who got me very involved in politics. But then there was also a book," which he named as Isaac Deutscher's three-volume biography of Trotsky, the promoter of Parvus's "permanent revolution" idea, and the mentor of the neo-cons and their "permanent warfare." Blair said the book "made a very deep impression on me."

Russia and the CIS News Digest

Putin To Visit China in March

Russian President Vladimir Putin will make his planned visit to China on March 21-22, it was announced March 9.

CFR Throws Wrench Into Russia-U.S. Relations

On Sunday, March 5, the day before Foreign Minister Sergey Lavrov arrived in the USA, a Council on Foreign Relations task force on Russia-U.S. relations, chaired by former Sen. John Edwards (D-NC) and former Rep. Jack Kemp (R-NY), issued its findings in the report, "Russia's Wrong Direction: What the United States Can and Should Do." The task force, warning repeatedly of growing "authoritarianism" in Russia, argued that the United States has a right and a strategic necessity to make demands regarding what happens inside Russia.

Calling for increased funding for NGOs and "democracy" groups inside Russia, the CFR task force proposes that Europe, joined by the U.S. administration and Congress, draw up criteria by which they will judge the legitimacy of Russia's 2007 parliamentary elections and 2008 Presidential elections—and give this public discussion "comparable to the attention that was given, long before November 2004, to the integrity of Ukraine's political process." Otherwise, there is "the very real risk that Russia's leadership after 2008 will be seen, externally and internally, as illegitimate."

There can only be "selective" cooperation with Russia now; a partnership is not feasible at this time, the CFR task force also concluded. They declared the U.S. should accelerate integration of Russia's neighbors into Western institutions and economy [e.g., NATO]. And, while rejecting Sen. John McCain's (R-Ariz) proposal that the West boycott the upcoming G-8 meeting in St. Petersburg, the taskforce recommended Russia be placed "on informal probation" in the G-8, while activating the G-7 as a *separate* forum from the G-8, which would meet first, so the G-7 walks into the St. Petersburg G-8 meeting as a bloc.

Former State Department official Stephen Sestanovich was evidently the lead figure among the Russia-specialists on the task force. Three of its members, Clinton and Bush 41 Administration figures, dissented from the CFR document, issuing their own statement, which opposed so much meddling in Russia's internal affairs.

Lavrov: Cheney Is Not President

Russian Foreign Minister Sergei Lavrov was interviewed March 8 by *Rossiia* TV, after his talks in Washington that day. The interviewer asked if Dick Cheney's militant warnings against Iran, in his recent speech before the American-Israeli Political Action Committee (AIPAC), along with the CFR report, did not represent a tightening of U.S. policy towards Russia. Lavrov replied, "First of all, I did not have the honor of meeting with Vice President Dick Cheney. I met with the President of the USA, George Bush. I have already said how he evaluates the situation. I proceed from the premise that the President of the USA determines foreign policy."

The Nation Attacks CFR Russia Report

Katrina Vanden Heuvel, editor of *The Nation*, wrote a signed editorial in the weekly's March 7 issue, titled, "Needed: A New Direction for U.S.-Russian Relations." She said that the CFR's "Russia's Wrong Direction" report was just what is *not* needed, because of its "hectoring tone" and push in the direction of a "remilitarized" U.S.-Russian relationship. If Russia seems to have become "semi-authoritarian," Vanden Heuvel wrote, one could try to understand that with a "sense of history—something missing from too much of media coverage of Russia today," and starting with the history of the past 15 years. For example, "The Edwards-Kemp [CFR] report (see above) ... fails to make clear that after the looting and plundering of Russia's natural resources by a handful of oligarchs in the 1990s, abetted by Yeltsin and also endorsed by the U.S. as 'reform,' it was virtually inevitable that Putin, or any post-Yeltsin leader, would reassert state control over the country's essential resources, particularly oil and gas." Or, one might recall that "de-democratization" began when

President Yeltsin used tanks to suppress an elected Parliament in 1993.

Vanden Heuvel also expressed regret that Sen. Edwards, in focussing his attention on Russian-American relations, had done so in association with this CFR task force, rather than, say, "addressing the poverty ravaging that beleaguered country," which would have been naturally coherent with Edwards' campaign against poverty in the United States.

Fradkov Warns Cabinet: Heads Will Roll

Russian Prime Minister Mikhail Fradkov warned the cabinet on March 9, that failure to meet specific policy targets is reason for the dismissal of ministers, *RTR Vesti* reported. Ironically enough, the missed target is the inflation rate—domestic price inflation in Russia was 4% in January-February alone—but the heads that would roll could be those of Economics Minister German Gref and Finance Minister Alexei Kudrin, strict proponents of neoliberal economic rules, who have opposed investing Russia's oil windfall in domestic infrastructure or industry projects on the grounds that doing so might spur inflation.

Gref Warns of Bubble in Russian Stock Market

Russian Minister of Economic Development and Trade German Gref told a March 2 cabinet meeting that share prices on Russian stock exchanges were at risk of forming "a so-called bubble," and that the government was "very afraid" of such a development. According to figures from Renaissance Capital, cited in the *Moscow Times* March 3, Russian market capitalization increased as much during January and February of this year, as it had done in 2001-2003. The Russian Trading System (RTS) Index has climbed by 100% in the past 12 months. A dozen large companies account for approximately 80% of Russian stock trading. The current surge, according to Moscow market-watchers, is being driven by portfolio investment from abroad. The *Moscow Times* quoted a specialist from Moscow's MDM Bank, who said, "Money has to go somewhere, and the appetite for risk is very high. Other emerging markets are doing well, too."

Velikhov: Energy Infrastructure Needs Investment

Yevgeni Velikhov, president of Russia's Kurchatov nuclear research center and a senior member of the Russian Academy of Sciences, said that power generation will rank high on the agenda of the upcoming G-8 Summit in St. Petersburg. At present, the global network of power supplies is incapable of meeting the growing demands of especially the developing nations, the billions of citizens of which have the same right to energy supply as citizens in Europe, the USA, or in Russia.

The biggest problem is that giant investments are needed, to keep power supplies up with the growing demand, Velikhov said, and that requires \$15-\$16 trillion over the coming 25 years. In previous interviews, Velikhov has insisted that without nuclear power, future power supplies will not suffice for the world, and he has strongly endorsed the development of nuclear fusion.

Russians Charge 'Blockade' of Transdnistria

In a statement issued March 9, the Russian Foreign Ministry charged that Ukraine and Moldova are "blockading" the Transdnistria region of Moldova. New customs regulations require all cargoes moving from Transdnistria into Ukraine, to have an official Moldovan customs stamp, for the stated purpose of curbing smuggling. Transdnistria, a narrow strip of territory along the left bank of the Dniestr River in Moldova, borders Ukraine. But Russian forces have patrolled the area since fighting there in the early 1990s, and the local authorities do not answer to the Moldovan government in Chisinau. The Foreign Ministry statement, as well as a resolution passed the next day by the Russian State Duma, accused Ukraine of threatening the population of Transdnistria with a "humanitarian disaster." The flare-up of the Transdnistria hot spot

escalates tensions in tensions in East Central Europe, on the eve of elections in Belarus (March 19) and Ukraine (March 26).

Southwest Asia News Digest

Hamas Does Have a Perspective for Peace

On March 3, during a visit to Moscow, the head of Hamas's political bureau, Khaled Meshaal made clear that Hamas has a perspective for peace negotiations with Israel, after meeting with Russian Foreign Minister Sergei Lavrov. "I want to say here in Moscow that if Israel declares readiness and shows commitments to withdraw from the lands occupied in 1967, ensure the return of refugees, dismantle [Jewish] settlements, demolish the demarcation wall, and release prisoners, our movement will make steps toward peace," stated Meshaal. He said that Hamas wants peace, "but a peace based on justice and the recognition of the legitimate rights of the Palestinian people. This peace should be founded on the withdrawal of Israel from the Palestinian territories and the end of the occupation."

Meshaal called the talks with Lavrov "constructive and open," and said that any international aid provided to the Palestinian Authority would go to the Palestinian people and be used to "bring life in Palestine to normal." For his part, Lavrov said, "The Hamas delegation gave us firm assurances that its main aim to regional peace and preventing an explosion of the situation that would lead to an impasse."

Ex-Israeli Spy Boss: Don't Cut Funds to Hamas-Led Gov't

It would be foolish to cut off funding to the Palestinian Authority because of Hamas, said Gen. Shlomo Gazit (ret.), former head of Israeli Military Intelligence speaking at a forum sponsored by the Middle East Institute. "First of all, they will get the funding elsewhere. Secondly, if you don't push them, they may start to develop a more practical turn of mind. It's impossible that this won't happen." Gazit had previously explained that Israel did not feel any national security threat coming from the Palestinians. "Of course, the terrorism will not disappear. But it's like the common cold, it's always around. But it is not an existential threat to Israel.

"We don't even take too seriously Iran developing a nuclear capability. There is one serious threat: losing the character of the Jewish state. The main concern of the Israeli public today is the demographic trends. Unless we settle this situation by agreement, we will cease to have a Jewish majority." The solution, he said, is separation. "That is why Sharon, the prime mover for the settlement movement, decided to build the wall and was prepared to give up Gaza and the West Bank. The fence should be built, but then all the settlements outside the wall will have to be dismantled," Gazit, who had also served as the Israeli Defense Forces commander in the Occupied Territories, said.

"We had the Palestinian election and Hamas won 40-44% They are in principle a majority, and we have to deal with them. If you wait for Hamas to fall in love with Israel, you will wait forever." He went on to explain that Hamas may even be easier to deal with than Fatah, referring to the PLO faction headed by Yasser Arafat. "They have no right-wing opposition to deal with," as did Arafat and Palestinian President Mahmoud Abbas, he said. "We have to deal with practical problems. If we agree that we live side-by-side, and if we start working on natural economic interests, we can forge a working relationship. Practical coexistence may turn into harmony but that is a dream for the future."

Russia Pursues Broad Contacts Among Muslims

Speaking to *EIR* on March 7, a senior Israeli intelligence source said Russian President Vladimir Putin is playing a very sophisticated game in the Middle East. Echoing *EIR* founder Lyndon LaRouche's own assessment of Russia role as a key

player on the strategic chess board, the source said Russian policy towards Iran is aimed at securing a strong presence, not only among Iranians, but among other Shi'a elements in the region.

Furthermore, by inviting Hamas to Moscow, Russia was not only demonstrating that it is prepared to play a role in the Israeli-Palestinian conflict, outside the confines of the so-called Quartet of Middle East mediators—Russia, the UN, the U.S., and the European Union. The source pointed out that Hamas represents an entry point for the Russians into the Muslim Brotherhood, out of which Hamas originates. That connection extends into the Muslim Brotherhood networks in Jordan and Egypt.

The source saw President Bush's trip to India as an effort to counterbalance Russian influence in the region. The source said it seems that Putin wants to revive a so-called "bi-polar" or multi-polar world.

Mofaz Threatens To Assassinate Hamas Leader

Israeli Defense Minister Shaul Mofaz threatened to assassinate Palestinian Authority Prime Minister-designate Ismail Haniyeh, if Hamas carries out terror attacks. "If Hamas as a terror organization faces us with this challenge the state of Israel confronting a terrorist organization, no one there is immune; not just Ismail Haniyeh—no one there is immune," Mofaz told Israel's Army Radio on March 7.

Mofaz made the remarks within hours of an Israeli "targetted assassination" of two Islamic Jihad members which led to the killing of two children and another civilian. An Israeli rocket was launched at an ice cream truck in which the two were said to be riding. Now, even the Israeli military fears that a reprisal attack will be made by Islamic Jihad. Continuing threats like this from Mofaz, who allies himself with the Kadima party of acting Prime Minister Ehud Olmert, are designed to sabotage a possible durable ceasefire, and future discussions with Hamas. Such statements also serve the interests of Likud candidate—and Dick Cheney's choice for Israeli Prime Minister—Benjamin Netanyahu. (For further analysis, see this week's InDepth, "In Israeli Elections, It's Shultz/Cheney vs. Sanity," by Dean Andromidas.)

Israeli Right Wing to U.S.: We'll Hit Iran if You Don't

The message from Dick Cheney's friends in Israel, among the far right, is that if the United States does not stop Iran's nuclear program, the Israeli "breakaway ally," will take care of the problem. With the election looming on March 28, warmongering statements against Hamas, and against Iran, are being made daily.

On March 9, speaking at a press conference in Berlin, Israeli Defense Minister Shaul Mofaz, in answer to a question on whether Israel had a contingency plan in case the international attempts to stop the Iranian nuclear program fail, replied, "The state of Israel has many drawers, containing all it needs in order to defend our citizens.... We do not intend on turning a blind eye to any threat that we may face, and we will do everything so that the threat is not realized." Mofaz was in Germany meeting with Defense Minister Franz Joseph Jung.

Then, on March 10, the Israeli press reported on a speech given in Washington, D.C., by former Israel Defense Forces Chief of Staff Moshe Ya'alon, at the neo-con Hudson Institute, where he said that Israel had a military option against Iran. Ya'alon gave a detailed description of Israel's potential military capabilities against Iran's nuclear sites, although he admitted that the programs are spread out over many sites. He said Israel could overcome the Iranian air defense systems and carry out strikes against several dozen targets, which he claimed were used for nuclear development. If a military attack was required, he said, the U.S. and European air forces should participate as well.

Ya'alon is a backer of Likud candidate Benjamin Netanyahu and could be Israel's next Minister of Defense if Netanyahu is

elected. He is currently a fellow at the Washington Institute for Near East Policy. According to the *Jerusalem Post* March 10, several former and active-duty Israeli military officers have visited Washington in recent weeks to push for a military strike against Iran.

Ya'alon's comment evoked a response from former Israeli Air Force commander Maj. Gen. Eitan Ben-Eliyahu (ret.), who said such comments could lead other countries to back off from containing Iran, because they will conclude that Israel is capable of its own action.

Adding to the war cries, the *Jerusalem Post*, quoting unnamed Defense Ministry sources, reported that the Israeli government doesn't think the U.S. is doing enough to stop Iran's nuclear program.

"America needs to get its act together," the official said. "Until now, the U.S. administration has just been talking tough, but the time has come for the Americans to begin to take tough action." The source called for tough sanctions that would hurt the Iranian population. "Only once the people understand that their government is bringing upon them a disaster, will they realize that Ahmedinejad's regime needs to be replaced.... If the people start to suffer, then they will understand that a change in government is needed."

AIPAC Boasts of Fundraising 'Windfall' from Franklin Case

On March 5, the *New York Times* noted that AIPAC, the American Israel Public Affairs Committee (AIPAC), seems to be recovering nicely from the blow of the indictment of two of its top officials in the Larry Franklin espionage case; and in fact, by claiming that it is under attack, it has found the indictments to be a "fundraising windfall." The *Times* also reports that AIPAC likely got caught as part of a U.S. government electronic monitoring of Israeli operations inside the U.S. going back to 1999.

Of course, AIPAC is being aided by Vice President Dick Cheney and one of his lead "chicken-hawks," John Bolton, both of whom addressed the recent AIPAC convention. Defense analyst Larry Franklin, who pleaded guilty to passing classified information to Israel, and was sentenced to 12 and 1/2 years in prison, was one of Cheney's operatives in the Pentagon, where he worked for neo-conservative Douglas Feith.

Asia News Digest

Indian Holy City Bombing Seen as Fallout from Bush Trip

Three bombs exploded almost simultaneously March 7 in crowded areas in the ancient holy city of Varanasi, in the Indian state of Uttar Pradesh. The first two bombs went off at the Varanasi railroad station, and the third one at the Sankatmochan Temple, located next to the ancient Kashi Vishwanath Temple, when thousands of devotees were milling around. The bombs took at least 12 lives, and wounded many others.

The bomb explosions have been identified with President Bush's trip to India and the agreement reached between the White House and New Delhi on nuclear-related issues. Following the trip, a section of the Muslim community, which has been deeply upset by the Bush Administration's policies toward Islamic states in general, was instigated by some political forces within Uttar Pradesh. These political forces are "at war" with the Congress Party, as well as with the Congress Party-led Manmohan Singh government. These political forces also have the support of the Muslim community within the state.

There are also reasons to believe that Islamabad, smarting over the U.S.-India nuclear agreement, would take measures that

would pose serious problems for New Delhi. In Uttar Pradesh, the Muslim population is close to 40 million and the Pakistani ISI (intelligence service) has planted a lot of assets among them.

Indian Defense Minister Postpones Visit to China

Considered as an immediate consequences of the U.S.-India nuclear agreement, Indian Defense Minister Pranab Mukherjee has postponed his visit to China, scheduled for later this month; now reports indicate he won't be going until May.

As soon as the Bush-Manmohan Singh nuclear agreement was reached and made public in New Delhi in early March, Beijing expressed its view that the deal would do more harm than good. Reports suggest that China has contacted a number of the Nuclear Suppliers Group (NSG) member-nations to convey its unhappiness over the deal.

At the same time, Pranab Mukherjee, who was India's Foreign Minister and had negotiated with the Chinese during Narasimha Rao's Premiership, to bring "peace and tranquility" along the India-China borders, has been instrumental in shifting India's defense relationship with the United States.

U.S. Expects a Violent Afghan Spring

Testifying before the House of Representatives Subcommittee on the Middle East and Central Asia March 10, Navy Rear Admiral Robert Moeller, U.S. CENTCOM Director for plans and policy, said: "We anticipate that we are going to see a fairly violent spring and summer and then an improvement in overall conditions." He also said an upsurge of violence could stem from U.S. and NATO forces extending their reach into parts of Afghanistan where the insurgents presence is greater. To make everyone in the room feel good, Moeller also said: "The overall trend line, though, is positive despite the fact that the data is what the data is with regard to U.S. forces who have been killed in the recent past compared to the first couple of years."

As has become the norm, Moeller was less than truthful, and tried to hide facts under such vague terms as "fairly violent" and "trend line." The Rear Admiral is obviously protecting the Bush Administration's rear.

On the other hand, facts are pouring in that are somewhat more cogent than the "data" Moeller presented. Reports from Pakistan's South Waziristan region, which is closed to foreign journalists, indicate that the local leaders, who identify themselves as "Taliban," are setting up offices, recruiting followers and, in some places, acting as local judges.

Abizaid in Islamabad Hears Tirade from Musharraf

U.S. CENTCOM chief John Abizaid spent one and half hours with Pakistani President Gen. Pervez Musharraf at the Army House in Islamabad March 8 listening to the President's tirade against the American puppet in Kabul, President Hamid Karzai. Abizaid's mission is to calm down Islamabad before it openly starts supporting the Taliban against Kabul and Washington.

The war of words between Musharraf and Karzai has reached a fever pitch. Karzai, while visiting Islamabad last month, handed over a list of Taliban leaders who are treated as "guests" in Pakistan and wanted them arrested. Subsequently, Afghan Foreign Minister Abdullah Abdullah announced that Musharraf has paid no heed to the list.

President Musharraf is aware of the fact that Karzai has given voice to an open secret, but the Afghan President has the approval of Washington in taking the undiplomatic actions he has adopted. Musharraf, who is under tremendous pressure within, and without, and is growing weaker by the day, lashed out against Karzai. Washington is afraid that this spring,

when the Taliban are expected to challenge the U.S. and NATO forces, Islamabad may lend a so-called helping hand to the Taliban by providing them with arms and necessary shelter.

What could be even more dangerous, is what could happen if Karzai, who seems to be toying with the idea of helping the ongoing violent Baloch uprising in the southwestern corner of Pakistan, bordering Afghanistan, gets the U.S. green light, New Delhi is itching to "help out" Karzai to weaken Pakistan.

Japanese Spokesmen Warn: 'War with Iran Is Unacceptable'

"Japan can't afford to rock the international monetary boat because we're too worried about the strategic military picture," a Japanese official told *EIR* at a public meeting in Washington addressed by Tokyo's leading liberal journalist Dr. Yoichi Funabashi Feb. 27. "War with Iran is simply unacceptable for Japan," the diplomat said, repeating previous such statements. "Japan can no longer be blackmailed by oil crises, because we've reduced our dependence on oil from 75% of our total energy use to under 13%," he warned, "but Iran is still our major source for oil. We are competing with China for a giant oil and gas development contract in Iran right now, and we don't want anything to disturb that."

The diplomat also stressed that Japan has been burning plutonium in breeder reactors since September 2005, is working with France on breeder technology, and intends to go for full nuclear self-sufficiency in power supplies.

Funabashi, Chief Diplomatic Correspondent for the Asahi Shimbun, opened his speech with a gloss on how U.S.-Japan relations have never been better. Having lulled the audience, he proceeded to list the many deal breakers pending. He attacked Washington for pushing Koizumi's visits to the Yasukuni War Shrine and said U.S. mishandling of bases in Okinawa could rupture the alliance. He warned that if Washington policy allows North Korea to simply "go nuclear, as seems likely," then "the U.S.-Japan alliance will be the first casualty."

Top Korea hand Selig Harrison rose in the question period and asked Funabashi to "spell out" this point. "If North Korea declares nuclear-power status, which is where things are headed, then it will be obvious to everyone that the U.S. cannot defend Japan," Funabashi replied openly. "Even mainstream Japanese politicians will then argue for the nuclear rearmament of Japan, which would be the end of the U.S. alliance, and would destabilize the entire region."

Korea Hand: N. Korea Problem Can Be Solved if Addington Sidelined

Asked if there is "light at the end of the tunnel" in the North Korea nuclear impasse, Korea expert Selig Harrison told *EIR*, "Sure, if we can get [Vice President Dick Cheney's Legal Counsel] David Addington out of the way." Harrison said this just before the opening of a public meeting in Washington (see above), in the hearing of numerous think-tank chiefs and Japanese officials, indicating how broad a layer is looking to the LaRouche movement. *EIR* responded, "They're already shooting each other." Harrison referred to the recent *New Yorker* magazine cover depicting Cheney with his shotgun (the second man in the picture—evidently worried about being shot—President Bush). If Addington and Cheney are not removed, Harrison said, the North Korea impasse will continue *ad infinitum*. If they go, it can be solved.

Harrison said the impasse has been entirely brought about by the U.S. needlessly slapping financial sanctions on North Korea, days before the September 2005 Six Power Talks, which sanctions have stalemated the talks. He noted former U.S. Korean Ambassador Donald Gregg's Jan. 15 complaint at a Council on Foreign Relations meeting in New York that, "North Korea has been counterfeiting dollars and running drugs for decades. We've known this." But the Bush Administration has slapped sanctions now "because they don't want a successful diplomatic process. They're after regime change, and they are hoping that these issues will make it more difficult for Kim Jong-il to sustain himself. But they're also making it impossible to make real progress on the nuclear issue."

This Week in American History

March 14 — 20, 1794

Whitney Receives Patent on Cotton Gin; Then, Makes a Far More Important Contribution

On March 14, 1794, Eli Whitney received a patent on an invention which he had designed and built in ten days as a favor to his hostess. But the cotton gin ("gin" being a contraction of "engine") yielded much aggravation and very little profit for its inventor, and Whitney turned his creative energies elsewhere, to the great benefit of the United States.

Whitney grew up on a Massachusetts farm where he spent his spare time repairing violins, working with iron, and, during the American Revolution, making nails in his father's small workshop. He earned enough money by the age of 23 to pay for tuition at Yale, where he studied law, but preferred the science and mathematics courses. He supplemented his earnings by repairing the college's scientific apparatus and equipment. One of these was an orrery which had been ordered by Yale's president Ezra Stiles from London. It had arrived damaged and was about to be shipped back for repairs, but Whitney spent a week making special tools, and had it working perfectly.

After his graduation in 1792, Whitney needed time to prepare for the bar, so he accepted a tutoring position in Georgia. On the ship taking him there, he met Catherine Greene, the widow of Revolutionary War General Nathanael Greene, who was returning with her children to Savannah. When his tutoring job did not materialize, Whitney was invited to the Greene home, where he studied his law books and made himself useful by repairing farm implements. Many of General Greene's former officers still congregated at the Greene home, and they talked about the difficulty of separating green-seed cotton fiber from its seeds.

Mrs. Greene told them that Whitney could solve any mechanical problem, and so, to please her, he built an efficient cotton gin. Formerly, it had taken a full day to produce a pound of cotton by separating the seeds by hand. With the improvements he added by April of 1793, Whitney's gin could produce 50 pounds of cleaned cotton in a day. Greene's former officers were ecstatic, and began expanding their cotton fields, while Whitney planned to continue his law studies. But Phineas Miller, the Greenes' plantation manager, persuaded Whitney to patent the gin, and to go into partnership with him to produce it.

Even before Whitney left Savannah to apply for a patent and to build a factory, his gin had been carefully scrutinized by others and imitations began to appear. Nevertheless, Whitney went to New Haven, Conn., erected a factory, and trained the workers. But epidemics of scarlet fever and yellow fever swept through New Haven in the summer of 1794, forcing Whitney to close his shop. Then, in 1795, a fire broke out which destroyed almost everything. Whitney rebuilt, but he was making little profit on his invention due to the many pirated versions, and, coming from a farm family, he did not have cash reserves to draw on.

But in 1798, war with France seemed to loom on the horizon, and the American government was signing contracts for musket production with private manufacturers. The United States had set up a Federal armory at Springfield, Mass. in 1794, and another at Harpers Ferry, Va. in 1798, but production was slow because guns were mainly hand-crafted objects. Therefore, in the military emergency, the Administration of President John Adams was placing musket orders with as many private contractors as possible.

Although he had never made a firearm, Eli Whitney tendered a bid on June 14, 1798 to produce 10,000 "stands of arms" (a musket and its bayonet and ramrod) to be delivered within 28 months at a cost of \$134,000. This was an unheard-of

number of muskets in an incredibly short period, and it represented a conscious government investment in a new method of production. Whitney's coadjutor in this plan was Vice President Thomas Jefferson.

When Jefferson served as Ambassador to France during 1785-1789, he had witnessed the production system of interchangeable parts for firearms which had been designed by Honoré Blanc. Jefferson had tried everything in his power to get Blanc to emigrate to the United States, but had failed. Whitney, too, envisioned a new method of production which would involve an assembly line with machines run by water power, production tasks broken down into their component parts, unskilled workers trained to use the machines, and the milling of interchangeable parts so that guns could be quickly and easily made and repaired.

Whitney realized the difficulties involved when he met with Jefferson, but he was convinced that it eventually could be done. In his bid, he wrote that he proposed to manufacture guns by a new method, his aim being "to make the same parts of different guns, as the locks, for example, as much like each other as the successive impressions of a copper-plate engraving." The difficulty was, Whitney said, that "A good musket is a complicated engine and difficult to make—difficult of execution because the conformation of most of its parts correspond with no regular geometrical figure."

Whitney carried on a correspondence with Secretary of the Treasury Oliver Wolcott, in which he laid out his conceptions for manufacturing. In May of 1798, he wrote, "I am persuaded that Machinery moved by water adapted to this Business would greatly diminish the labor and facilitate the manufacture of this Article. Machines for forging, rolling, floating, boring, grinding, polishing, etc., may all be made use of to advantage." After a year of constructing his factory and training his workers, he again wrote to Wolcott that, "One of my primary objectives is to form the tools so that the tools themselves shall fashion work and give to every part its just proportions, which once accomplished, will give exceptional uniformity to the whole."

Because of Whitney's excellent reputation, ten New Haven backers provided him with \$10,000 in working capital, which was added to the \$5,000 from the government when the contract was signed. Whitney began building his factory north of New Haven, on Mill River, which provided the power. By May of 1799, his main factory building had been completed and the waterworks were nearly ready. Whitney spent much time designing the machine tools that would be used by his employees, and on training the men to use them. He provided houses for his workers, which included attached acres which were used for planting crops.

The large preliminary design and construction effort which went into setting up Whitney's armory meant that he could not deliver the muskets on schedule. In January, 1801, he travelled to Washington, D.C., and demonstrated to President John Adams and members of the U.S. military that it was possible to produce interchangeable parts. The musket parts had been largely produced by machine, but some hand filing had been needed to make them truly interchangeable. When Thomas Jefferson became President a few months later, he consistently backed Whitney in order to obtain the system of manufacturing which he had seen demonstrated in France. By the time Whitney delivered the last of the 10,000 muskets in January of 1809, his manufacturing system was being adopted by both Federal arsenals.

Manpower, especially skilled manpower, was scarce in the new republic, and so Whitney relied on training unskilled workers. To enable his workmen to perform one "single and simple operation" at a time, Whitney designed a series of "jigs and fixtures" which fixed the parts and tools into their relative positions for each operation so that the cutting of the part by the tool would be correct and consistent. The division of labor within the Whitney Armory was not so much by part of the musket worked on as it was by function. A workmen using a drill might drill many parts, and might drill the same part again and again in different places as it followed through the process of production.

Whitney also realized that he needed to develop skilled workers, and he often noted that he was making armorers as well as arms. He encouraged the adoption of useful practices from other armories, and often visited Harpers Ferry and Springfield

to exchange ideas. There was constant testing in order to develop uniformity, and this applied to uniformity within the Whitney Armory as well as between private armories and the Federal armories.

When Whitney died in 1825, his armory still had not developed complete interchangeability by the machining of parts, but just two years later, the Federal armory at Harpers Ferry did accomplish Whitney's and Jefferson's goal.

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