

EIR

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From the Editor

It's been more than three and a half years since Lyndon LaRouche pinpointed the need for Cheney to resign, but the institutions of the U.S. Presidency, broadly construed, are finally beginning to move big time against the greatest threat to the existence of the United States: Synarchist pawn Dick Cheney. That is the significance, writ large, of Special Prosecutor Fitzgerald's May 24 filing, where he states: "The state of mind of the Vice President as communicated to defendant [Libby] is directly relevant to the issue of whether defendant knowingly made false statements to federal agents and the grand jury regarding when and how he learned about Ms. Wilson's employment and what he said to reporters regarding this issue."

LaRouche and LPAC and *EIR* publications have done a thorough job of identifying exactly what that "state of mind" is, as the "executioner" cover of Children of Satan II, and other publications have shown, and tens of millions of citizens have seen. Cheney is a thug whose assigned job is to foment and ram through policies of expanding wars, Hitler-like powers of the Presidency, torture, and outright theft. Clearly, a whole section of the Establishment now agrees that this creature cannot be tolerated. We know that these networks have heard, and strongly agree, that Cheney is crazy enough to start a war against Iran, and to provoke a terror incident to do it. They are now keying off LaRouche's leadership, to try to stop it.

Which brings us to the second part of the task—preparing a bipartisan grouping in the Congress to take the necessary action to stop the looming financial breakdown crisis. People have to be shocked into reality, and forced by constituency pressure to launch economic recovery measures à la Roosevelt, which LaRouche has laid out afresh.

This issue of *EIR* adds invaluable ammunition to this end, from our devastating expose of the ethanol hoax, to the indictment of globalization in our interviews on the Philippines, to the second part of our series on gearing up big off-the-shelf projects, reminiscent of Harry Hopkins' CCC.

With the month of June upon us, the time to act is growing short indeed.



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In the shadow of the U.S. Capitol, Sen. John Thune (R-S.D.) (left) and Rep. Jeff Fortenberry (R-Neb.) shamelessly jump on the ethanol bandwagon. It's the American people who are being taken for a ride.



Ford Motor Co.

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‘ETHANOL MADNESS’

End the Great 2006 Bio-Fuels Swindle

by EIR Staff

The current mania for ethanol, biodiesel fuels, “flex-fuel vehicles,” and the like, is creating a financial bubble—within which is a swindle—inside of which is a slippery old methane fart, waiting to explode. Members of Congress taking part in the swindle, enthusiastically or not, are going to wind up very smelly when the ethanol party ends, the investment boom collapses, and motorists indignantly demand regular gasoline again.

Why should we shift to biofuels for transportation; ethanol, for example? Well, first, we’ll get 20% *less* gas mileage from our fuel that way. Second, we can pay a good deal *more* for fuel, in direct prices and subsidies; in fact, we’ll be able to use a fuel whose price is inflating *much* faster than the price of gasoline. Third, we’ll be able to spend tens of billions of dollars more a year in tax revenues, *subsidizing* ethanol makers, including some of the biggest global cartels. Fourth, we can use up more petrochemical energy *making* ethanol than we get by *using* it. Fifth, we can use up large volumes of *water* making the ethanol, including in some very water-scarce regions of the country—and overburden our transport infrastructure as well. Sixth, we could soon deny corn exports to nations that need them—maybe even cut our own consumption of corn—and burn it in our cars instead.

And last but not least, we can delay or *cut off the revival of nuclear power* for industry and economic expansion; instead, we could take a major scientific and technological step *backwards*, a great leap back toward primitive ages when mankind burned straw for fuel.

Those are seven pretty good reasons—for the past year, they’ve been enough to affect the public *posture* of quite a number of Members of Congress.

In the worst example, one such Congressman—an Ohio Democrat—addressed a rally promoting the ethanol madness in his home state on May 20, and then stepped off the podium and told a questioner that he knew ethanol *wouldn’t work* as a solution to high fuel prices; he knew, in fact, that ethanol is expensive and uses up more petrochemical energy in production than it gives back in burning; but, he



United Nations/Jerry Frank

Congressional job creation you don't want: In Brazil, ethanol depends on sugar cane harvesting by virtual slave labor. That's one of many reasons any "bio-fuels boom" in the United States is a fraud.

said, he was promoting it because he had no better alternative. This Congressman was not just posturing, but *lying* to his constituents about the crucial question of inflation and the economy—and this in a depressed state where Democrats have made Republican elected officials' lying and corruption a major issue.

Another, a northern Republican governor, cheered on the start of construction of new corn-ethanol factories in his state, admitting publicly that the process was too inefficient for fuel! He claimed that the *next generation* of technologies would surely cure that, so let's get on with it. As the friendly drunk could tell you about ethanol, "the more you drink of it, the better it seems to work." A combination of switchgrass and farm dung is alleged to make a much "stronger" fuel variety. No doubt.

And if you've just invested your constituents' money, your farm cooperative, or your nephew's pension plan in it, it becomes a virtual miracle cure. Why, a Congressional deputy leader of the Democrats proudly called for installation, in the Congressional garage, of an E-85 Ethanol fuel pump. He was sure this would cure any defects of national leadership the voters have found in that body recently. Another leading Democrat thought the better part of \$50 billion was not too much to lavish on such technologies.

The great satirist Jonathan Swift painted such a scene in *Gulliver's Travels*, wherein scientists of the Academy of Lagado strove to extract sunbeams from cucumbers for warming, and to reconstitute food from dung.

The desire to head off a new development of nuclear power—the actual alternative to oil imports, carbons pollution, low power growth, and high power prices—is transpar-

ent in both the right-wing and liberal or environmentalist promotions of the biofuels fraud. Ethanol is already being subsidized with billions a year, and would be fertilized with tens of billions annually, by those in Congress and elsewhere who denounce any government move to approve and speed up new nuclear plant construction as an unwarranted "subsidy."

This Tulip Will Bubble, Not Burn

In the articles below, we show that the delusional ethanol mania gripping many, both inside the Beltway and out in the Cornbelt, defies well-established scientific principles of technology and physical economy. "Replacing" one gallon of gasoline from imported oil, with a gallon of ethanol from domestic corn, costs the nation \$7.24 in prices and subsidies, by one exhaustive calculation; even a small increase in the tiny fraction of transportation fuel which is ethanol now, would consume most of our corn crop, leaving none to export and little to eat. A significant shift—say, to 25% of transportation fuel, as the auto "Big Three" CEOs disingenuously proposed—

would plant 13% or so of the nation's entire landmass in corn for that purpose alone. The underlying physical situation is that ethanol production consumes more fossil fuel energy than the ethanol gives when burned, for clear scientific reasons.

Ethanol's national average market price has made gasoline prices seem stable by comparison, catapulting from about \$1.20 a gallon in early 2005, to \$1.80 or so by September 2005, to \$2.75 a gallon this Spring. Now, it is just about at the price of regular gasoline—and that is *after* a Federal subsidy of 51 cents on every gallon, additional state subsidies and tax breaks, and some local subsidies. As the price has soared, 35 new ethanol plants have leapt up. Fermentation ethanol production has zoomed from 2.7 billion gallons in 2003 to almost 4.5 billion gallons annually now, and corn for ethanol now exceeds corn for export, by volume. The phenomenon is an ethanol investment bubble, adding at least several more "tulips" to the global commodities-markets fury of the past 18 months.

This bubble has been caused and fed by direct government subsidies, and by Soviet-like *orders* in the 2005 Energy Act that ethanol production grow to 12 billion gallons by 2010. The White House has pitched in by ordering states to put ethanol in their gasoline blends, beginning with California in 2001.

In fact, ethanol—the "alternative" to rising gas prices—has pushed the national price of gasoline *up* in recent months. At Senate Commerce, Science, and Transportation hearings on "gas price gouging" on May 23, witness testimony repeatedly acknowledged that government-ordered use of ethanol in gasoline has been driving up the gas price; inefficient truck transport of ethanol from the Midwest to the coasts, combined

with refinery delays and costs in adding ethanol to gasoline blends, caused the additional 10-15 cent increase in gasoline prices in late April.

That is nothing compared to what will happen as an ethanol price bubble expands, before it bursts. We show in this feature that at the center of this bubble is the food cartel—specifically, the Archer Daniels Midland conglomerate, which has gorged on the Federal subsidies. ADM made 40% of all fermentation ethanol in the United States until recently; that is now down to 25%, as every local fund and cooperative tries to start an ethanol plant to tap the bubble. But ADM is itself building new biodiesel plants and reporting profit increases of 30% on the ethanol boom, its stock up 51% in a year.

We show that Brazil, the constantly cited model, produces ethanol *en masse* with virtual agricultural slave labor, more than with sugar; and that the Brazilian history with ethanol in fact shows the economic/financial dangers ahead on the path of ethanol madness. Having produced ethanol fuel in cycles for 30 years, with 90% of all cars produced there being capable of burning E-85, Brazil has suffered repeated hyperinflationary bubbles of ethanol prices, and then of the prices of sugar. One of those cycles is going on now, and the price of ethanol within Brazil has increased 15% in the past few months, while sugar prices are at 25-year highs on global commodity markets.

The result: Once again, Brazilian motorists who were using ethanol are switching back to gasoline, and ethanol use is falling; once again, Brazilian ethanol producers are trying to get rid of tariffs and sell ethanol to the United States; once again, sugar-cane ethanol producers are switching back to producing sugar, and ethanol supplies are suddenly very short, pushing the price up further. Ethanol production in Brazil fights food production, helps generate the highest inflation rate in the world, and thus fights overall consumption.

An “ethanol boom” in the United States will do all the same things, and worse. Corn, particularly the U.S. corn crop, is a far more important food source for nations and people in need, than sugar.

And we show that the *political* promotion of the fraudulent ethanol craze, through foundations and think-tanks, has been led by—the neo-cons, the kindergarten of George Shultz and his Committee on the Present Danger. These are the mendacious crew who brought America the “Iraq cakewalk,” the nonexistent weapons of mass destruction, the war that would pay for itself in oil revenue, and so many other of Dick Cheney’s lies. Now, it’s “energy independence through bio-fuels”; and such great anti-neo-con truth-tellers as Al Gore, George Soros, and a host of liberal and labor outfits, are publicly backing Shultz’s neo-cons in this swindle.

If Congress continues down this very slippery slope, with more and more billions of subsidies, the aroma of hypocrisy, and even deliberate lying for campaign contributions and votes, will cling for a long time.

Ethanol: Not a Kernel of Science in It

by Laurence Hecht

Ethanol is an excellent substance to tank up on. Just don’t drive on it. It slows reaction time, impairs judgment, and it’s illegal. In excess, it can make you giddy, stupid, mean, sour, depressed, and violent. It might even make you President.

Here we will inform you what ethanol is, why it is a worse than stupid way to replace our oil dependency, and why development of nuclear power is the only sane way to provide ourselves an economic future.

Ethyl alcohol or ethanol (C_2H_5OH) is the second in what chemists call the homologous series of alcohols, which include methyl, ethyl, propyl, butyl, and amyl alcohol, each one distinguished from the previous by the addition of an atom of carbon and two of hydrogen (CH_2). Man has been making ethyl alcohol since long before the discovery of its chemical and structural formula. Almost any plant substance can serve as the raw material—grapes, apples, corn, grain, and potatoes are traditional ingredients. To make some yourself, start with some store-bought apple juice which has been bottled without preservatives. Put it in a clean glass container, and let it sit several days. Yeast, naturally present in the air, will act on the fruit sugars—according to a process first deduced by Louis Pasteur—to change them into alcohol. This is called fermentation. Make sure you use a loosely fitting cover, because carbon dioxide gas is released in the process, and could explode a tightly closed container.

If you wait too long, the fermentation will go to the next stage, converting the alcohol to vinegar (acetic acid). If you stop it at the right moment, you will have an apple cider of perhaps 5-10% alcohol content. The alcohol will be mixed in with the sugary fruit juice. A simple way to separate the alcohol is to freeze the mixture. The alcohol, which has a lower freezing point than the rest of the mix, will collect in a cylindrical hollow in the center of the frozen substance. One can also separate the alcohol with a still, or what chemists call a distillation apparatus. Ethyl alcohol has a boiling point of 173°F, well below that of water. By heating the mixture, the ethyl alcohol boils off first; its vapor can be collected by condensation on a cool part of the apparatus called a condenser. Both of these methods of separation are types of fractional distillation.

The Cost of Scaling Up

To produce ethanol on a commercial basis, the laboratory process of fermentation and distillation must be scaled up.

Remembering that our original intention was to save on the use of petroleum products, we must therefore examine the amount of gasoline and other petroleum fuels that would go into the production of ethanol as a replacement for gasoline. First we have the production of the corn or other vegetable product which is going to provide the sugars for fermentation. Modern agriculture is a highly energy-intensive operation: tractors and farm vehicles require a lot of gasoline or diesel fuel; ammonia fertilizers use natural gas as a feedstock; irrigation requires large amounts of electrical energy; farm work also requires human physical and mental labor, which requires energy for its maintenance. Bulk raw materials must now be transported from the farm to the still, for processing and distillation, another energy-intensive process, frequently using natural gas. In fact, more than the total current national consumption of natural gas would be required to power the stills to produce enough ethanol to replace our petroleum dependence.

When all of these inputs are taken together—studies by Dr. David Pimentel of Cornell University and Tad W. Patzek of the Dept. of Civil and Environmental Engineering at Berkeley have shown—alcohol production consumes more units of fossil fuel energy than it yields when burned as fuel. Corn ethanol, switchgrass ethanol, and wood alcohol (methanol) consume respectively 29%, 45%, and 57% *more* units of fossil-fuel energy than they give back on burning.

If we were so insane as to attempt to replace our petroleum usage with corn ethanol (the least inefficient of the choices), it would require placing 1.8 million square miles, or 51% of the land area of the 50 states, under corn cultivation, according to the calculations of retired University of Connecticut physics professor Howard Hayden (*21st Century Science & Technology*, Spring 2005, pp. 10-11). However, this is a physical impossibility, for not only could we not find the arable land; we would lack the fossil-fuel supply with which to generate our replacement fuel! Need we also mention that a large portion of the human population is suffering from malnutrition? Knowing that, can any moral person justify taking our productive agricultural land out of food production to feed this swindle?

The high cost of the energy inputs required for ethanol production is actually reflected in the price of the product. When all the tax credits and government subsidies are taken into account, the cost of ethanol comes to \$7.24 per gallon of “imported gasoline replaced” (see <http://zfacts.com> for an exhaustive study). A bipartisan grouping of Senators has now moved to remove the Federal requirement of a 10% ethanol additive to gasoline, because it is adding 30-40 cents per gallon to the price of gas. Not surprisingly, the largest financial beneficiary of the government subsidies have been the grain cartels—Archer, Daniels, Midland and Cargill—and hedge fund speculators who have recently moved in on the ethanol boondoggle.

Let us now see why nuclear power is an enormously

better, and absolutely necessary alternative to the funny fuel.

How Alcohol and Gasoline Burn

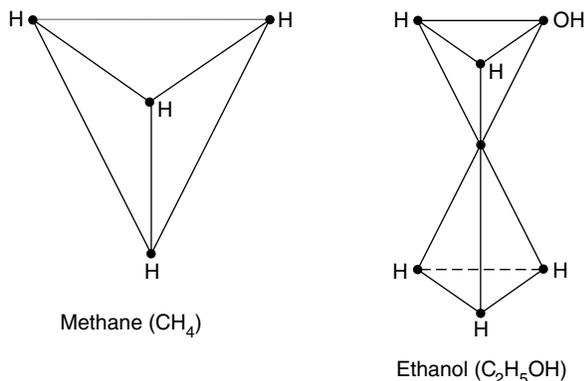
Structurally, alcohols are similar to hydrocarbons which are what make up the combustible parts of coal, oil, and gasoline. The hydrocarbons form a simple, homologous series, like the alcohols. Methane, one of the ingredients of natural gas, is the simplest hydrocarbon, consisting of a single carbon atom surrounded by four hydrogens. In the 1870s, two brilliant young chemists, Joseph Achille LeBel and Jacobus Henricus van't Hoff, deduced that carbon bonds with other atoms in a tetrahedral arrangement. Thus, the methane molecule (CH_4) could be pictured as a tetrahedron with a carbon in the center and a hydrogen atom at each of the four vertices. Ethane, the second in the hydrocarbon series, consists of two tetrahedra joined at their vertices (see **Figure 1**). Knowing this, its formula may be easily deduced by construction, as C_2H_6 , and so forth. The alcohol series are much like the hydrocarbons, except that one of the hydrogen atoms is replaced by a molecule consisting of a combination of oxygen and hydrogen (OH).

The connection between one atom and another is called a bond. We understand these bonds today as attractive relationships between the electrons in the outer orbitals of the atoms. Their exact nature, despite much study, is not yet fully understood. However, the branch of physical chemistry known as thermodynamics has been able to create a kind of accounting system, which doesn't worry about what the actual physical geometric process of transformation is. It merely keeps track of the energy relationships, on the assumption that no new energy is created or destroyed in a chemical change. Thus, the attractive bond between the electrons is thought of as containing a certain amount of energy. When a hydrocarbon or an alcohol burns, that is combines with oxygen in the air, these bonds are broken. The energy contained in them is now converted into heat. We don't know exactly how, but we can measure precisely how much.

Heat is measured in a unit called a calorie, which was developed out of the work of Antoine Lavoisier (1743-1793) in experiments on the specific heats of the elements. It is the amount of heat required to raise the temperature of one gram of water (at a temperature of 14.5°C) by one degree centigrade. Because this unit is so small, we often employ the kilocalorie, which is the amount of heat required to raise the temperature of one kilogram (2.2 pounds) of water by one degree centigrade. (Heat may also be measured by the unit of work known as the joule—there are 4.18 joules in a calorie—and the British Thermal Unit (Btu) which is equal to 252 calories). Using any of these units, we can determine the amount of heat produced when a certain quantity of alcohol, gasoline, coal, or any other combustible substance is burned.

The burning of one kilogram of gasoline produces about 10,500 kilocalories. Burning one kilogram of ethanol pro-

FIGURE 1



duces about 7,140 kilocalories, about 68% that of gasoline. Thus, a car running on pure ethanol will require a fuel tank that is almost half again larger than a gasoline-powered vehicle.¹

The Nuclear Domain

However, these relatively small differences are negligible in comparison to the heat released by nuclear processes. The fissioning of one gram of uranium releases about 2 million times as much heat as is produced by burning an equivalent weight of gasoline or oil, and 3 million times the heat produced in burning that weight of coal.

These enormous energies are not released from the chemical bonds. We are speaking now about a new physical domain. In the breaking apart of the uranium nucleus, we are releasing the much stronger forces which hold the nucleus together. Here, in a space about one-millionth the size of the whole atom, we find 92 charged particles, known as protons, each 1836 times heavier than the extra-nuclear electrons, which are the actors in chemical reactions. The protons are held together by some powerful agent, conventionally known as the strong force. In addition to these 92 protons, a nucleus of fissionable uranium-235 contains another 143 neutral particles about the same mass as the proton. When a uranium nucleus shatters, fragments containing these particles go flying apart at velocities up to one-tenth the speed of light.

For more than 60 years, since the operation of the first atomic pile on Dec. 2, 1942, we have known how to control this process. For over 50 years, we have harnessed the heat generated by the fission of the nucleus to produce electricity, safely and cheaply. With a complete fuel cycle which includes reprocessing, *there is no nuclear waste.*

1. Ethanol is able to deliver about the same amount of power as gasoline, because it requires less air to burn, and thus a greater portion of the gaseous mixture found in the cylinder on each stroke is made up of ethanol. Because of its air requirement, only about one third as much gasoline vapor as ethanol can fit into a cylinder of a given size.

Nuclear is a fully renewable energy resource. It is also only the beginning. For in 25 years we will begin to commercialize an even more powerful source of energy from the nucleus, fusion power.

With abundant nuclear power, we can virtually eliminate our dependence on imported oil, without having to cover the whole nation with ethanol cornfields and eliminate our food and animal production. Nuclear will provide the electricity to recharge the batteries for electric-powered transport on the trips of under 30 miles that make up the majority of vehicle use.

Nuclear will also generate the fuel to replace gasoline for use on longer trips. With the temperatures of 700-800 degrees, which can be produced by the new fourth generation of nuclear reactors, we can easily separate hydrogen from water, using electrolysis and even more efficient chemical separation methods. The hydrogen will power fuel cells to run electric motors, or be burned in internal combustion engines. Soon, as a result of advances in fast pulse laser machining processes, ceramic turbines, capable of operating at temperatures of 3,000 degrees and thus achieving efficiencies three times that of conventional engines, will be available.

Hydrogen Fuel

With a heat of combustion of 34,200 kilocalories per kilogram, hydrogen carries more than three times the energy content by weight of gasoline, and nearly five times that of ethanol. That is why it is used as rocket fuel. The leading problem in using hydrogen to power vehicles has been the cost of compressing it to a usable size. However, a variety of options are available and in the works to solve this problem.

The byproduct of the burning of hydrogen is water. The byproduct of the production of hydrogen from water is oxygen. Releasing oxygen to the atmosphere by the industrial production of hydrogen, will solve what is by far the most serious atmospheric environmental threat we face. That threat is not the release of carbon dioxide from combustion of carbonaceous fuels—for carbon dioxide enhances plant life, helps produce cloud cover, and has never been proven to increase the Earth's temperature. The real danger to be feared from the greatly expanded use of carbon-based fuels, is the depletion of atmospheric oxygen. Nuclear power and the hydrogen cycle will give the children of the next century the air they need to breathe.

As a growing fraction of intelligent young people are coming to recognize, the often sexually-tinged anti-nuclear obsessions of their parents' generation have contributed in large part to the new generation's lack of access to the levels of educational, healthcare, and employment opportunities which Americans had come to expect. It is time for those still embracing such fantasies to grow up and admit their past errors, or get out of the way. Woodstock, EarthDay, and the rest of those youthful hijinks are a thing of the far-distant past. The nation's future is at stake.

Brazil's 'Biofuel Republic' Is Murder!

by Cynthia R. Rush

Several times in the course of this year, Brazilian President Inácio Lula da Silva has boasted that his nation is about to become energy independent, through the development of biofuels based on sugar cane or other feedstocks derived from soy, castor beans, and sunflower seeds among others. "In the 21st Century, Brazil will be the biggest energy power on the planet without having to use nuclear energy," Lula announced with great fanfare on May 18, while inaugurating the Petrobrás experimental biodiesel facility in the state of Rio Grande do Norte. The new kind of biodiesel produced by Petrobrás, a semi-private oil firm once fully controlled by the state, constitutes "an energy revolution in the world," the Brazilian President trumpeted. "When it comes to energy, [developing nations] will have to come to us to ask how to do this the right way."

Lula was equally effusive in an article published in the London *Guardian* March 7, during his trip to Britain to meet with Prime Minister Tony Blair. Ethanol and biodiesel are the "key components" to the government's approach to the energy crisis, he said. "We are determined to 'plant the oil of the future.' I invite you to join us in our endeavors."

Big multinational agro-cartels such as Cargill or Archer Daniels Midland (ADM), and the synarchist financiers who stand behind them, no doubt welcomed Lula's statements. They have already invested big bucks in Brazil's biofuel scam, proclaiming it the antidote to high oil prices and environmental pollution caused by fossil fuels. Why, these predators proclaim, Brazil's successful ethanol industry, first launched in 1975 as the "Proálcool" program, could make Brazil the new Saudi Arabia of biofuels. It's a "biofuel Republic" in the making, they gush, blessed with an unhindered free market (ethanol production and marketing were deregulated in 1998-99, after two decades of generous subsidies and strict regulation), cheap labor, and endless acres of land available to expand the production of sugar cane, currently the cheapest and most widely used feedstock for Brazilian ethanol.

Globalization and Fascism

As *EIR's* Mark Sonnenblick first documented in a September 1979 article in *Fusion* magazine, the only beneficiaries of Brazil's biofuels program—then or now—are the

financial oligarchs who see no distinction between man and beast. Sonnenblick, who passed away in 2004, pointed out that gasohol "appears 'efficient' only in a technologically backward nation that plans to stay that way, or in a nation that is being deindustrialized and made backward." In 1979, the Brazilian gasohol program employed 500,000 workers who cut sugar cane by hand at daily wages of \$3, to produce a mere 70,000 barrels of alcohol per day. Today, there are over a million people employed in 320 sugar mills and 800 distilleries, mostly men under the age of 40, whose working conditions have scarcely improved.

Sonnenblick also revealed that Brazil's gasohol program, in the late 1970s had "so diverted croplands and labor resources from food production that the nation—the world's second-greatest agricultural exporter—is running into severe food shortages, high inflation for food prices, and the need to import more than \$1 billion in foodstuffs that could be cheaply produced at home." He quoted Cloud Cray of Midwest Solvents Corp, a highly efficient U.S. ethanol producer. Cray, at that time, told a seminar on Brazilian gasohol that the only way a U.S. gasohol program could reduce foreign oil imports would be to do what "Brazil does, bring your biomass to market in horse carts and burn it, or cut your forest down and bring them in, or use some other source of energy to convert this grain or agricultural source [into alcohol.]"

A passionate student of Brazil's history and economic development, Sonnenblick concluded in his 1979 article that "alcohol fuels do not 'work in Brazil.' " Nor do they today. For the better part of the 30 years since the 1975 launching of the Proálcool program, Brazil's economy and labor force have been ground up by the International Monetary Fund's murderous globalization policies. Those who claim that ethanol will transform this nation into "Brasília-Arabia," are really proposing to send Brazil back to 16th Century when, as a colony of Portugal, it relied on slave labor to produce sugar and, as a reporter for the *Guardian* put it last March, "sugar plantation owners [became] so rich that they would send their dirty laundry to Portugal for cleaning."

A Hoax by Any Other Name

Brazil is the world's largest sugar producer and exporter. With 13 million acres under cultivation, it is expected to produce 30 million tons for the 2005/2006 harvest, one-half of which will go into ethanol production. It is also the world's leading ethanol producer and exporter, having distilled close to 4 billion gallons in 2004, thirty-seven percent of the world total. The state of Pernambuco in the impoverished Northeast, and São Paulo state in the South, have historically been the sites of large-scale sugar cane production, although more recently it has expanded into the states of Rio de Janeiro, Minas Gerais, Espírito Santo, and Paraná. São Paulo produces 60% of the nation's sugar cane.

The public relations line on Brazil's biofuel success is

that, even though ethanol shortages and cheap oil prices in the 1980s and 1990s made the ethanol-only cars produced almost worthless, the introduction of “flex-fuel” cars three years ago—they run on either gasoline or ethanol—combined with the astronomical hike in the oil price, opened the door to a biofuel “revolution.”

Amory Lovins’ Earth Policy Institute manically asserted in a June 2005 article that Brazil’s biofuel industry could easily “produce enough ethanol to meet total domestic fuel demand by increasing the area used to grow sugarcane for alcohol from 6.6 million acres to 13.8 million acres . . . or by shifting *all* current sugarcane acreage to ethanol production.”

But today’s orgy of commodity price hyperinflation—the price of white, or refined sugar has increased 31% this year, and the price of raw sugar soared 87% over the past 12 months—underscores the precariousness of this scenario. Cane growers this year took advantage of the record-high sugar price to increase production of sugar *instead of ethanol*. The resulting supply shortages led to a 15% price hike for ethanol, and a drop in consumption that forced the government to reduce the percentage of ethanol in gasoline from 25% to 20%. It would only take a “surprise” like a drought in the main cane-growing regions to jeopardize Brazil’s new status as the world’s biofuel diva.

‘Satanic Sugar’

More importantly, as the case of China demonstrates, a country with 70% of its population living in poverty cannot claim to be a model of “sustainable” economic development. This is true of Brazil. With the global economy shattering, any attempt to go ahead with the “biofuel republic” model, premised on the destruction of the labor force, rather than pursue the ambitious plan to build seven nuclear plants over the next 15 years (two of them in the impoverished Northeast) as announced by Science and Technology Minister Sergio Resende last March, will doom Brazil to the brutal *primitive accumulation* typical of the British colonial plantation model that has already imposed soy monoculture on large swaths of Brazil and neighboring Argentina.

Resende reflected the battle for Brazil’s future in a May 5 opinion piece in *O Globo*, in which he stated that, “the technological wager on renewable energies, such as wind and solar, to substitute fossil fuels, has not been found to be viable on a large scale. In every study, nuclear energy is confirmed as an alternative capable of meeting demand in the larger domain, cleanly and safely.”

Absent the focus on technological development and training of skilled manpower, ever increasing tracts of land concentrated in the hands of the multinational food cartels or their local agents are displacing traditional crops grown for domestic consumption. This increases deforestation and soil degradation, and drives millions of farmers off the land into the ranks of the urban unemployed. Small and medium-sized farms produce the majority of the food for Brazil’s

domestic consumption; yet foreign-run agribusiness is driving them out of farming. Over the past 15-20 years, according to one study, sugar cane expansion in the poorer areas of Pernambuco and the Northeast has driven 40,000 people out of small-scale agriculture, and into urban slums.

In a country with a huge infrastructure deficit—a USDA officer based in Brasilia reported that total train track hasn’t grown in Brazil in 80 years—the biofuel “revolution” is literally squeezing the *bagasse* out of an impoverished rural work force. Their living conditions have not improved under Lula da Silva’s free-market economic policy, in place since 2001. The sugar barons are laughing all the way to the bank.

The cost of Brazil’s sugar production is the lowest in the world because of the “cheap and plentiful labor” of which financial vultures always brag. In the state of São Paulo, the cost of production is \$165 a ton, compared to \$700 per ton in European Union nations. According to a February 2006 study published by Brazil’s Social Justice and Human Rights Network, workers in São Paulo state are paid 2.60 reais—about a dollar—per ton of cut cane. Workers are paid according to how much cane they can cut in a day, rather than any fixed wage. Silvio Donizetti Palvequeres, president of the farmworkers union in the important cane cutting region of Ribeirão Preto, told the *New York Times* that “you used to have to cut four tons a day, but now they want eight or ten, and if you can’t make the quota, you’ll be fired.”

Workers who do the backbreaking work to cut ten, or even 12 tons per day can earn up to R\$800 a month, but then have to deduct R\$400 for food and usually miserable accommodations. Malnutrition and illiteracy plague most cane-cutting areas. Workers migrate from one region to another in search of work, leaving their families behind, as there is more than one harvest season. Where mechanization has been introduced, fewer workers are needed, as occurred during the 2001/2002 harvest in Pernambuco where 150,000 cutters lost their jobs. But since they have no alternative employment, workers are left to wander to other areas in search of work, or end up residing in urban slums or *favelas*. Job security is non-existent, and unionization becomes impossible given the large number of transient or temporary workers. With good reason, sugar cane in Brazil’s Northeast is called “Satanic sugar.”

What a contrast to the optimistic and supportive attitude offered by Franklin Roosevelt’s friend, Morris L. Cooke, who led a technical mission to Brazil in 1942, to evaluate what the country would need in order to industrialize. In his dedication of a condensed version of the mission’s final three-volume study, “Brazil on the March: A Study in International Cooperation,” Cooke wrote “May the policies and plans here discussed, bear plentiful fruit to satisfy human wants. In the forthcoming industrialization, may every lovely facet of Brazilian life be protected.”

Bio-Cons, Neo-Greens: Shultz Boys' Corn Scam

by Christine Craig

George P. Shultz has been a busy man these days, even for an octagenarian oligarch. After basking in his bringing down Bretton Woods and creating the global floating-exchange-rate system in the 1970s, the Republican “fixer” personally chose Dick Cheney and the George W. Bush Cabinet in early 2000. A former JP Morgan banker with a publicly stated preference for “war” as the best means of achieving imperial objectives in the Mideast, Southwest Asia, and elsewhere, Shultz has recently taken the lead on regime change in Iran, as head of the Committee on the Present Danger and the closely allied Foundation for Defense of Democracies. With Felix Rohatyn, he has sponsored conferences pushing the galloping privatization of militaries. And lately, he’s been sharing the pulpit with a fascinating circle of associates from both the left and right, on the curious subject of alternative energy sources—including such strange bedfellows as anti-nuke environmentalist Amory Lovins of the Rocky Mountain Institute, and ex-CIA director, imperial war-hawk R. James Woolsey.

One thing all Shultz’s kindergarten, “left” and “right,” now share: They’re all pushing the ethanol bubble as a purported means to U.S. energy independence and national security. And they demand Congress, and the American taxpayers, throw tens of billions a year at it.

Indeed, in October 2005 alone, Shultz wrote a position paper with Woolsey for the Committee on the Present Danger, titled “Oil & Security.” He then reworked the same story into an article with Woolsey for the journal *Mechanical Engineering*, “Petroleum Bomb,” and then wrote a glowing introduction for Lovins’ new book, *Winning the Oil Endgame*. In all these, Shultz ruled out nuclear power as an alternative to that old Mideast oil addiction—mighty strange, for a former CEO of Bechtel when it was bidding to bid on nuclear power contracts.

Why is Shultz hyping Amory Lovins’ view of a nuclear-free future full of ethanol-guzzling flex-fuel cars and windmills supposedly producing hydrogen? Has Shultz gone senile? Or does this lunacy come naturally after decades of imposing technological apartheid, including by war, on other nations? Shultz’s war-hawk friends, and his and Al Gore’s environmentalist protégés, share a common vision for the future—a world with fewer people and less technology, using fewer resources. Nuclear energy doesn’t fit that vision. When these weird brothers get together, does the haze of ethyl alco-

hol remind them that they all believe mankind is really just “smart biomass,” and not fit for any Promethean fire like nuclear technology?

Gore and Gaffney Puff ‘Corncob Pipes’

As early as 1974, the Ford Foundation published a lengthy policy report titled *A Time to Choose: America’s Energy Future* in which they introduced a pathway termed Zero Energy Growth (ZEG), wherein major research and development would focus on ways to *conserve* energy through greater efficiency and recycling of wastes. New energy sources were envisioned to come from “solar technologies, energy from organic and urban wastes, and geothermal energy, which are the most promising.” The report viewed nuclear power as an unproven and dangerous technology that needed to slow down and catch its breath until scientists and regulators figured out how to tame it and keep it from spreading to the Middle East and developing countries in general. They considered it “wrong-headed to concentrate only on options [breeder reactors and fusion power] that will take decades, and ignore options that are closer at hand and necessary to meet needs in this century.”

But it was George Shultz’s neo-conservative collaborators of decades—particularly that ultimate neo-con cold warrior Albert Wohlstetter of RAND, and Wohlstetter’s students such as Richard Perle and Paul Wolfowitz—who were and are the primeval anti-nukes. Wohlstetter, from the 1950s to his death, fought to keep civilian nuclear power from spreading in the world, using the argument that it was dangerous and economically unfeasible (see “The Neo-Cons, Not Carter, Killed Nuclear Energy,” *EIR* March 24). From such as Wohlstetter, the Amory Lovinses, Ralph Naders, and Barry Commoners took their case studies in which mankind is a bumbling tinkerer, unwittingly throwing a wrench into the natural ecosystem with his technological innovations.

Boondoggle

One of the boondoggles to have arisen in the vacuum left by the smothering of nuclear energy in the United States in the 1980s, has been the corn/sugarcane ethanol fuel subsidy swindle, perpetrated on gullible taxpayers by agricultural cartels such as Cargill and Archer Daniels Midland (see page 13). In recent years it seems that everybody wants to get on the bandwagon. The major push has been for ethanol and related bio-fuels to replace oil. From the left, it is fueled by hysteria about greenhouse gases and climate change from burning fossil fuels. From the right, comes the battle cry for independence from Middle Eastern oil. Of course, nuclear power would solve both of these problems at the same time with ease, while powering an industrial renaissance, but that is not what either side wants. They want soft energies with a small footprint, and no major new technology or capital expenses. They want solutions that emphasize conservation, not development.



*Mr. Gore and Mr. Preventive War:
Why are they all for ethanol?*

Alan Yue

In 2006, it is neo-cons allied with Shultz and Dick Cheney who are the leading think-tank propagandists for ethanol and nastier wastes as “American energy independence.” Environmentalists and Democrats are joining them in a truly smelly alliance.

The major front organization for both sides is called the Set America Free Coalition, pushing George Shultz’s and James Woolsey’s line of independence from foreign oil, through domestic production of cellulosic ethanol and biodiesel for transportation. The Set America Free Coalition, started by the Institute for the Analysis of Global Security, includes leading “regime change” warhawks and neo-cons such as Woolsey, Perle, Clifford May, Frank Gaffney, Meyrav Wurmser, and Daniel Pipes.

The Coalition includes such general right-wing non-profit institutions as: the Foundation for the Defense of Democracies, Hudson Institute, Committee on the Present Danger, Center for Security Policy, National Defense Council Foundation, American Values, and American Jewish Committee. They all act as if they were taking an “ethanol bubble break” from their normal shrill pursuits of wars against “rogue states.”

The Left Cheek of the Ethole

But the *same* ethanol-pushing Coalition also includes the American Council on Renewable Energy; the Natural Resources Defense Council (NRDC); and the Apollo Alliance.

The Apollo Alliance is a joint project of the Institute for America’s Future and the Center on Wisconsin Strategy, and is a huge grouping of liberal environmentalists causes, including Greenpeace, the Sierra Club, Americans for Democratic Action, and Rainbow Coalition. Various unions such as the International Association of Machinists and United Automomo-

bile Workers are represented. Its funding comes from groups like the Ford Foundation and Rockefeller Financial Services.

Two rotten Democrats prominent in the fetid mess are Al Gore and Sen. Joe Lieberman (who sits on the Committee on the Present Danger and the Foundation for Defense of Democracies with other neo-cons)—the turncoats who tried to destroy President Clinton as well as the Democratic Party. As the Democratic Leadership Council (DLC), Lieberman and Gore were and are funded in this treachery by the extreme-right Smith-Richardson Foundation of CIA “secret wars” fame.

Gore’s sensationalist global warming movie, “An Inconvenient Truth,” is contributing \$500,000 plus 5% of ticket sales to Gore’s new group, Alliance for Climate Protection, headed by former Reagan EPA chief Lee Thomas. Its stated aim is to combine conservatives with labor groups for eco-friendly legislation.

Gore is on the stump all over the country, repeating NASA scientist James Hansen’s scare-line that within 10 years, the greenhouse effect is going to be unstoppable. In a recent interview, Gore panned nuclear power for exactly the same bogus economic/security reasons as Wohlstetter did 50 years ago, then waxed poetic on cellulosic ethanol as the salvation of the world: “I think it is going to be a huge new source of energy, particularly for the transportation sector. . . . You’re going to see new processes that utilize waste as the source of energy, so there’s no petroleum consumed in the process. . . . You may also begin to see a new generation of fuel cells that run on cellulosic ethanol, where you can grow your own electricity. I think it’s going to play a huge role.”

So both bio-cons and neo-greens are waging this insane war to bury nuclear power with subsidized switchgrass and cow pies, shuffling backwards into the Third World.

ADM, Cargill—The Enron and Halliburton of the Ethanol Swindle

by Marcia Merry Baker

Before there was Halliburton or Enron, there was the food cartel—the leaders of the pack on today’s ethanol bubble and swindles. For decades, Archer Daniels Midland (ADM) and Cargill, leading cartel globalizers, have laid the basis for the disastrous energy “technological downshift” into ethanol and biofuels. Right from the 1970s start-up of corn-based ethanol (then called “gasohol”) for the U.S. “market”—as the false energy alternative to nuclear power—these two companies accounted for 70% of the new bio-fuel production capacity at that time, and have dominated every policy turn since.

Now, although their share of U.S. ethanol output may be “only 24%,” because of the bubble-boom of other new capacity coming on line in recent months, ADM and Cargill are still preeminent internationally in the promotion of biodiesel, ethanol, and other biofuels; as they are controllers of vast worldwide patent rights over seeds for bio-inputs of corn, soy, and other crops and agriculture wastes. These two firms, with a few others, dominate food processing globally. Along the way, they have raked in billions of dollars of Federal subsidies directly for ethanol—but also through Food for Peace and other commodity programs—and through outright illegal operations, for which they have been convicted or negotiated plea bargains.

In addition, these two companies, and a select few others, have come to dominate agriculture-related transportation and storage, as well as processing infrastructure, so they have a lock on food and farm practices—with or without the bio-fuels mania.

It is critical to understand the pedigree and record of these entities, in order to bust up the “romance of bio-fuels” now spreading its haze of quick-money dreams.

Today’s manic bio-fuels bubble is not the culmination of a natural evolution toward “alternative energy,” but of schemes put into effect deliberately, by networks of financial circles, acting against national interests, for their own control and gain. In fact, the origin and practices of ADM and Cargill trace back directly to the centuries-old “merchants of grain,” based in Europe, and interconnect with financial syndicates notorious in the 1930s and 1940s period for their backing of fascist economics, or as it was called, synarchism.

Here we provide a short timeline of ADM and Cargill’s

recent history, and need-to-know highlights of their operations, both general and focussed on biofuels.

ADM, Cargill—Globalism

ADM, a publicly-traded company, headquartered in Decatur, Ill., is today the world’s largest processor of corn, soybeans, wheat, and other commodities, operating in 180 countries, with a workforce of 30,000. ADM was founded by former Cargill executive Dwayne Andreas in 1965.

Cargill, privately held, is headquartered in Minnetonka, Minn., and operates in 59 countries, with a workforce of 124,000, producing directly or in various forms of partnership, commodities ranging from salt to steel, as well as agriculture products, fertilizer, energy, and futures trading.

The degree of dominance held by these two companies, and related firms in various agriculture commodity cartels, is dramatic. Look at their rank in market share in the United States, for the following selected items. These statistics name the top four companies, and the ratio of concentration they hold, as of early 2005. (From ongoing studies by Bill Hefernan et al, University of Missouri; see National Farmers Union, www.nfu.org).

Flour Milling: The top four firms account for 63% of capacity; Cargill is first, and ADM second.

Soybean Crushing: The top three firms account for 71% of capacity; ADM is first, Cargill is third; (Bunge is second).

Animal Feed Production: The top four firms account for 34% of output; Cargill ranks second, and ADM third.

Beef Packing: The top four firms control 84% of production; Cargill ranks second.

Turkey Processing: The top four firms control 51% of production; Cargill ranks first.

Internationally, these companies exert corresponding dominance, with varying patterns from country to country. The most striking part of the global picture, has been the rapid spread of their their control operations in South America, centered in Brazil, Argentina, Paraguay, and Uruguay. (See p. 9).

ADM, Cargill—Bio-Fuels

On bio-fuels in the United States, ADM and Cargill were the ground-floor ethanol producers as of the 1970s. Over that



U.S. ETHANOL MANUFACTURING LOCATIONS



- ★ Existing
- ★ Existing/Expanding
- ★ Proposed

The location is shown here of the 95 ethanol refineries in operation in 2005. Today there are 97 ethanol biorefineries in operation, with 35 under construction, and 9 expansions underway. The total current capacity is 4.486 billion gallons a year.

Source: RFA as of April, 2006

Renewable Fuels Association, 2005 (www.ethanolrfa.org)

decade, numbers of acts were passed to subsidize ethanol producers, in the name of “energy independence,” as the oil price spikes hit in 1974 and 1978, and as nuclear power came under assault. In 1977, Congress passed a law mandating the U.S. Department of Agriculture to issue \$60 million in guaranteed loans for ethanol distilleries. States likewise issued tax and loan deals. The Carter Administration exempted gasoline containing 10% ethanol from the 4-cents-per-gallon Federal fuel tax, etc. In the course of this, the mother-of-all subsidies was introduced—the 50-cents Federal tax exemption for every gallon of ethanol produced.

ADM and Cargill have raked it in. In addition, there were special deals and windfalls. In 1986, the Reagan Administration Agriculture Secretary Richard Lyng announced a new program to give away \$29 million worth of corn to ADM distilleries, in the name of assistance to ethanol production at a time of corn surpluses.

Over the past 20 years, Cargill and ADM together, along with the next two producers, accounted for major percentages of all U.S. ethanol output:

- 1987—73%
- 1995—73%
- 1999—67%
- 2002—49%
- 2005—41%
- 2006—34%

The decline of production share during the 2000s, does

not at all signify the waning of ADM and Cargill’s role, but rather the rapid growth of the bio-fuels bubble under the Bush Administration. There has been a rush of investors, as well as farmer-owned cooperatives, lured into an “easy money” corn ethanol market.

Ethanol production nationally went from 175 millions of gallons a year in 1980, up to 900 millions in 1990; to 1.630 billion in 2000; and reached 3.904 billion gallons a year in 2005 (or even higher, up to 4.264 billion, depending on the source).

Today, the percentage of U.S. ethanol production held by ADM alone is 24%. ADM has seven ethanol plants, in five states, with a combined capacity of 1.070 billion gallons a year.

The new CEO for ADM, announced on May 5, will be a former Chevron Oil Vice President, Patricia Woertz. She was in charge of refining, marketing, and trading oil for Chevron. Woertz has proclaimed that she intends to use the “oil company approach” at ADM. Currently under construction are two new ADM biodiesel plants, one in Missouri and another in North Dakota.

Cargill, for its part, is on a global biodiesel binge. Just in the last six months, here are new operations announced:

England: Cargill has a 25% shareholding in Greenergy Biofuels Ltd., otherwise owned by parent company Greenergy Fuels—the leading British bio-energy group; and Tesco, the supermarket giant. Tesco, the foremost biofuel

retailer in the UK, offers biofuel blends at more than 40% of its gas stations. Among the planned Cargill/Greenergy Biofuels projects is a biodiesel facility to be built at Cargill's existing crushing plant in Liverpool, on the Mersey River—using international feedstock input. Cargill's February 2006 press release proclaimed its plans, "With biodiesel plants on the east coast Humber estuary and West Coast Mersey estuary, Greenergy will have a presence in two of the most important oil refining regions in the U.K. Having world class biodiesel production facilities on both coasts gives unmatched access not only to the raw materials for production but also to the fuel supply chain."

France: Construction is starting this year on Cargill's new biodiesel facility, to be located next to its rapeseed crushing plant at the port of Montoir in Western France. This is a joint venture of Cargill with a subsidiary of Sofiproteol, a financial holding company specializing in oilseed use and marketing. The Cargill project comes in the wake of the French government action in September 2005, to promote and advance biofuels in the country. Quota allocations are given out by the government to selected operations, to implement the government-set goal of having 5.75% of biofuels in fuel by 2008; 7% by 2010 and 10% in 2015.

The 350,000 tons of by-product meal to be produced at Montoir will go into Cargill's animal feed marketing. The Montoir site is just part of Cargill's existing nationwide operations in France, which include a site at St. Nazaire, where the volume of Cargill's crush of sunflower seed represents more than half of all France's annual production. A Cargill plant already in Brest will focus on rapeseed and soy crushing for biodiesel and livestock feed.

Germany: In March this year, Cargill held a groundbreaking in Frankfurt, for its new biodiesel plant in the Höchst Industrial Park, intended to process rapeseed oil and other vegetable oil feedstocks, to reach 250,000 metric tons of capacity and utilize ship, rail, or road tanker transportation.

Malaysia: Here, Cargill Palm Products Sdn Bhd will supply crude palm oil, as the primary feedstock in a new five-year contract, for a just-announced biodiesel plant. The facility, designed for a 100,000 ton annual capacity, will be done by Mission Biofuels Ltd, listed on the Australian stock exchange. The biodiesel output is already booked for a five-year supply contract, for shipment to Austria-based commodity trader Godiver Handelsgesellschaft GmbH, which then will market it to Germany.

Lock on Feedstock—and Ethanol?

To cap off this picture, look at the hold ADM and Cargill have over the seed supply for the major bio-energy feedstock crops, corn and soybeans. As of 2004, it was estimated that Monsanto—which works in partnership with Cargill and Pioneer/Du Pont—controlled 60% of the U.S. corn and soybean seed market.

This has come about from a series of crucial changes made in U.S. and world patent law over the past 20 years, granting sweeping rights over food genetics seed-stocks to an interlock of cartel commodity and chemical companies. For example, Cargill or ADM—which dominate soybean and corn processing, whether for feed, food or bio-energy—can decree that they will accept only "Round-Up Ready" soybeans, the Monsanto seed, and farmers have no recourse.

The control side of this is underscored by some recent announcements of new Cargill/Monsanto ethanol production methods associated with ethanol designer-seeds.

In Eddyville, Iowa, Renessen LLC, the joint Cargill/Monsanto biotech company, announced in January that it will test a new production process for ethanol, using a new biotech seed, with an oil-rich trait designed for biodiesel, and pitched as a high-nutrient livestock feed. In February, the Agriculture Department granted marketing approval for the new seed, a high-lysine corn (LY038), to be marketed under the usual strict patent controls, as "Mavera High Value Corn with Lysine."

Documentation

ADM/Cargill Record of Global Corruption

1945-1952: Dwayne Andreas, born in Illinois in 1918, worked for Cargill, starting as general plant manager, ending as vice president in charge of soybean and linseed oil. His assistant James R. Randall (hired at Cargill in 1948), later became president of ADM.

1945: Andreas met Hubert Humphrey, then mayor of Minneapolis, and elected to the U.S. Senate in 1948. Their collaboration involved some 85 world trips; Humphrey was godfather to Dwayne's son, Michael, later (1999) sent to jail for international price-fixing as chairman of ADM.

1952: Andreas made his first trip to the Soviet Union, as 34-year-old vice president sales representative for Cargill, Inc., one of few U.S. citizens to get visas to the U.S.S.R.

1954: The Food for Peace law, PL-480, was enacted. Humphrey and Andreas travelled to Poland and to the Vatican, as a showcase bipartisan move with the Eisenhower Administration, to pave the way for paying Cargill and other cartel firms to ship food to the East Bloc.

1965: Archer Daniels Midland was formed, merging assets of the Archer, Daniels, and Andreas families.

1966: Dwayne Andreas became president of ADM.

1968: Andreas "loaned" \$100,000 to Humphrey's Demo-

cratic Presidential campaign, and was charged with illegally transferring corporate funds for election purposes. A Minnesota Federal judge, a close friend of Humphrey's, dismissed the case.

Andreas, via a Minneapolis business partner, Kenneth Dahlberg—chairman of Minnesota branch of Nixon's Committee to Re-Elect the President, or CREEP—funnelled \$25,000, which ended up in the account of Watergate burglar Bernard Barker. Rep. Wright Patman (D-Tex.), whose Banking and Currency Committee was investigating the case, expressed concern that Andreas was one of the investors who were granted a Federal bank charter in a Minneapolis suburb. Dahlberg was among the five applicants for the charter. After Nixon's resignation in 1974, \$100,000 in cash, provided directly by Andreas, was found in the White House safe. Andreas got his money back in full, and reportedly, was able to successfully dodge subpoenas from Sen. Sam Ervin's impeachment hearings, by living in Europe.

1971: Michael Andreas joined ADM at age 23, having been trained in speculation by Cargill's Julius Hendel.

1973: Dwayne Andreas's nephew, Martin Andreas, became ADM's chief salesman for corn sweeteners.

1974: ADM entered into a price-fixing scheme, overcharging the U.S. government by \$19 million in sales of soy-fortified food to the Food for Peace program. ADM was convicted in both criminal and civil suits, but evaded repaying the government its share of \$19 million.

1976: ADM pled no contest to Federal charges of systematically short-weighting and misgrading Federally subsidized grain shipped abroad. ADM lost no contracts, and continued all its shipments.

ADM/Cargill started up ethanol production at this time, lobbying for Federal subsidy for the non-food use of crops, because Andreas needed a way to dispose of a huge corn syrup excess.

1977: The newly enacted Federal sugar price support netted ADM millions of dollars by preventing sweetener prices from dropping. The staff author of the law, David Gartner, was a top aide to Humphrey; ADM bribed Gartner with a contribution of \$72,000 worth of ADM stock to a trust fund established for Gartner and his family.

1978: Gartner was appointed to the Commodity Futures Trading Commission. The story of ADM's bribe to him broke into the news, but Gartner refused to resign or to pay ADM back.

1984: President Reagan appointed Andreas to chair a task force on private initiative; Andreas recommended creating an Economic Security Council, which became the Economic Policy Council. The joke around Washington was: "Ask not what you can do for your country; ask what your government can do for ADM."

1990: The Clean Air Act was a boon for ethanol output, with Cargill and ADM owning over 70% of the capacity.

1990s: Under the U.S.-Canada Free Trade Accord, ADM and Cargill extended their control and repositioned their oper-

ations in North America. Dwayne Andreas joined the board of the British intelligence publishing empire, Hollinger Corp., run by Canadian Conrad Black.

1994: Federal grand juries took anti-trust evidence on Cargill, ADM, Tate & Lyle (U.K.), and CPC International—on price and supply fixing of lysine, citric acid, corn sweeteners, and starch. These four companies control 74% of U.S. wet corn milling.

1995: On June 27, the FBI raided ADM executive offices and homes in Decatur, Ill.

1996: In October, top ADM executives Michael Andreas and Terrence Wilson left the company. On Oct. 14, ADM pled guilty and agreed to pay fines of \$100 million for criminal price-fixing of lysine and citric acid.

1998: Michael Andreas and Terrence Wilson were convicted of criminal price fixing. Sentencing was scheduled for Feb. 26, 1999.

1999: Michael Andreas was sent to jail. Later, G. Allen Andreas, cousin of Michael Andreas, took over as Chairman of ADM.

2003: Cargill's Chairman and CEO Warren Staley was named in February to the President's Export Council, to represent food and agriculture among the 28 private sector executives.

2004: Cargill agreed on March 12 to settle \$24 million in charges against it by 18 plaintiff food firms, from 1995, for conspiring with ADM et al, to fix sweetener prices.

2006: Cargill pushed its international bio-diesel operations with new plants under way in France, England, Malaysia, Germany, and elsewhere. Cargill's workforce numbers 124,000 in 59 countries.

ADM commands the world's largest processing capacity for corn, soybeans, and wheat; operates in 180 countries, with a 30,000 person workforce. ADM operates 170 processing plants, 300 grain elevators, 10,000 rail cars, 15,000 trucks, and 2,000 river barges.

In May, former Chevron Vice President Patricia Woertz became President and CEO of ADM; G. Allen Andreas, Interim CEO, stayed on as Chairman. Woertz stressed her intent to use her experience to operate ADM like a petroleum-marketing company.

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Nebraska Farm Report: Biofuels Mania

Don Eret, a farmer and former state legislator in Dorchester, Nebraska, described the scene in his state to *EIR* on May 24—Nebraska being the third-biggest corn state in the country, with 11 ethanol plants operating, and more under construction. Eight of these plants are in Nebraska's central/eastern region, surrounding Eret's farm in Saline County.

Eret points out how the over-stretched transportation base is straining to service the ethanol mania. Since the rail grid has been drastically taken down, by over a third in the last 30 years, the pressure is heavy on the diminished rail system, and on trucking, to shunt the corn around to the ethanol plants. The local farm co-operative's truck fleet of 25 semis constantly hauls grain—using diesel fuel. Eret lives along the Burlington-Northern main line, and sees two 120-car unit trains loaded out each week (each takes 12-15 hours to load). This shipping includes destinations for export. But cross-hauling is now increasing just to serve the expanding number of bio-fuel plants.

Then, there is the added pressure to ship and use the corn mash by-product of ethanol production, for livestock feed. The mash can be used as is, or dried and stored. But to save the energy costs involved in feed processing and storage, the ethanol plants try to contract with feedlots, to ship out the mash from the distillery direct to the feeders, before it goes bad after a couple days. Cargill ships out mash from its Blair, Nebraska plant (near Omaha), on a 120-car unit train direct to Texas, by express rail, within 48 hours of production.

In the farm states, Eret says, one sees real mania being whipped up. Nebraska Sen. Ben Nelson (D), campaigning for

re-election, "is fighting for his political life, has made bio-fuels almost his 100% issue." And it is rumored that the reactivated American Agriculture Movement—which coordinated the 1979 Tractorcade of 5,000 tractors/50,000 farmers to Washington D.C. to protest farm policy, will again call for a national tractorcade—for bio-mass! Eret himself drove in the 1979 Tractorcade from Nebraska.

But the popular media report that there is a big farmer involvement in, or benefit from, all the ethanol expansion, is a misconception. Eret reported the example of a big push now underway for a new ethanol plant in Fairmont, Nebraska; organizers are attempting to restrict it to local farmer investors. However, not many farmers—just like non-farmers in the 80% lower income brackets—have the funds sitting around to put into any venture at all. Some are attempting to take out loans, using their farms as collateral, with all the risk that that involves. Some are cadging relatives. Desperation is rampant, in the form of visions of a "pot of gold."

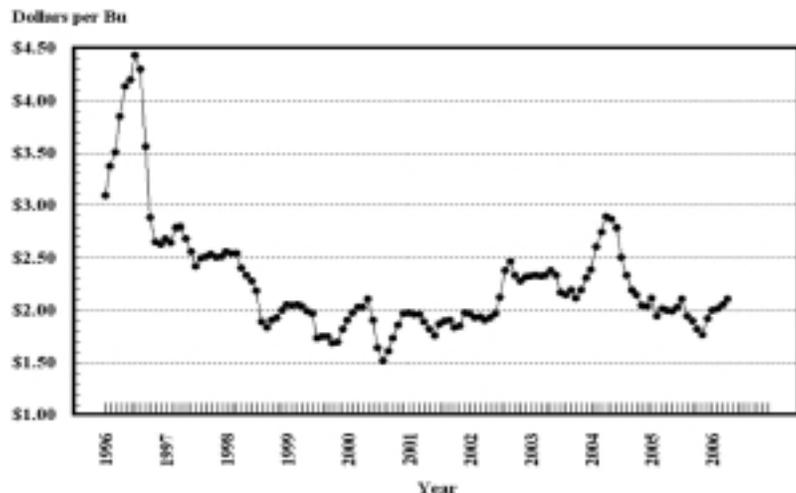
The myth has been promoted that ethanol will drive up corn prices, helping corn growers. In fact, the math of ethanol plants is—take note, if you are a farmer investor—that if corn prices rise significantly, then the profits of your ethanol distilleries vaporize.

Today, the U.S. price of corn is running between \$2.13 and \$2.50 a bushel depending on location, delivery date, etc. But the parity price (to meet the farmer's cost of production plus fair profit) is \$7.78 (April 2006, U.S. Department of Agriculture). Parity is the combined expenses of seed, fuel, cultivation, fertilizer, labor, and a modest profit to the farmer in producing that crop, in order to guarantee the existence of the family farm sector output potential (soil fertility, experienced farmers, capitalized operations, etc.) for the future. Keeping corn prices paid to the farmer low, ensures great profits to ADM, Cargill, and the other cartel companies, and to the small handful of farmer investors in ethanol production, now seeing windfall profits.

In 1977, for producing a bushel of corn, the farmer received \$1.98, which was 57% of parity at that time. In 2006, in January, for a bushel of corn, the farmer still received \$1.99, now 26% of parity.

That farm prices are easily manipulated for political purposes on the futures markets, is clearly shown in **Figure 1**, tracking the corn price. In 1996, a radical free-market farm law, the Freedom to Farm Act, was proposed. During the time of Congressional debate, passage, and President Clinton's signing of the bill in April 1996, the price of corn mysteriously hovered in the range of \$4 a bushel. The cry went up: "See how great the prices can be on the free market!" After the bill was signed, the price, just as mysteriously, fell, never to reach that level again. So it could easily be made to seem with ethanol—for a short while.

Prices Received, Corn, US



Libby's Defense: 'The Devil Made Me Do It'

by Jeffrey Steinberg

While the "Establishment" media has been asleep at the switch, Special Counsel Patrick Fitzgerald has made a series of devastating filings before Judge Reggie B. Walton, in the United States District Court for the District of Columbia, which have placed a new spotlight on the personal role of Vice President Dick Cheney in the leaking of the identity of Central Intelligence Agency officer Valerie Plame Wilson.

Those filings, from May 12 and May 24, 2006, taken together, provide a clear picture of what motivated defendant I. Lewis "Scooter" Libby to lie before the Federal grand jury. As the Fitzgerald filings show, Libby obstructed justice in order to conceal the fact that Vice President Cheney was obsessed with discrediting Ambassador Joseph Wilson, whose July 6, 2003 *New York Times* op ed accused the Bush Administration of faking crucial evidence that justified the preventive-war invasion of Iraq earlier that year.

In February 2002, former Ambassador Wilson had been dispatched to the African nation of Niger, to probe reports that the Saddam Hussein regime in Iraq had been attempting to acquire large quantities of uranium, for a secret nuclear weapons program. Wilson's CIA-sponsored trip had come in response to queries from Vice President Cheney, who was seeking every ounce of "proof" to justify an invasion of Iraq. Wilson reported back to the Agency that there was no credible basis to believe Iraq had obtained uranium from Niger. Nevertheless, right up to the March 2003 invasion, top Administration officials, including Cheney and President Bush, had repeatedly claimed that Iraq was building a bomb and had been seeking uranium in Africa.

The Handwriting on the Wall

On May 12, 2006, Special Counsel Fitzgerald filed a "Government's Response to Court's Inquiry Regarding

News Articles the Government Intends to Offer as Evidence at Trial," which contained a bombshell exhibit: a copy of Joseph Wilson's July 6, 2003 *New York Times* op ed, "What I Didn't Find in Africa," with handwritten margin notes from Vice President Cheney, and extensive underlinings of the article text. Among the notes on the article in Cheney's handwriting: "Do we ordinarily send people out pro bono to work for us? Or did his wife send him on a junket?"

Cheney's reference to "his wife" confirmed that the Vice President was aware, prior to the July 14, 2003 outing of Valerie Plame as a CIA officer in a syndicated column by Robert Novak, that she was employed by the CIA. Furthermore, as Fitzgerald noted in his filing, "Those annotations support the proposition that publication of the Wilson Op Ed acutely focused the attention of the Vice President and the defendant, his chief of staff, on Mr. Wilson, on the assertions made in his article, and on responding to those assertions. The annotated version of the article reflects the contemporaneous reaction of the Vice President to Mr. Wilson's Op Ed article, and thus is relevant to establishing some of the facts that were viewed as important by the defendant's immediate superior, including whether Mr. Wilson's wife had 'sen[t] him on a junket.'"

In the same section of the filing, Fitzgerald emphasized that, whether or not Libby had personally seen the annotated copy of the Wilson op ed, the document did go to the issue of "motive." Fitzgerald wrote, "The article, and the fact that it contains certain criticisms of the administration, including criticisms regarding issues dealt with by the Office of the Vice President ('OVP'), serve both to explain the context of, and provide a motive, for many of



U.S. Air Force/Sue Sapp



PRNewsFoto

I. Lewis "Scooter" Libby: Caught.

Libby's boss: Vice President Dick Cheney (left).

the defendant's statements and actions at issue in this case."

As any first year law student knows, the crucial issue in any criminal prosecution is the ability of the government to show the motive of the accused criminal. In the Libby case, Fitzgerald has zeroed in on Libby's boss, Vice President Dick Cheney. Cheney went berserk when the Wilson op ed appeared. Indeed, according to the same May 12 Fitzgerald filing, Cheney was already spreading the word that Wilson's wife worked for the CIA as early as May-June 2003, when a series of news stories, appearing in the *Washington Post* and the *New York Times*, highlighted the Wilson fact-finding mission to Niger, even though his name was not mentioned.

Grand Jury Testimony Dripped Out

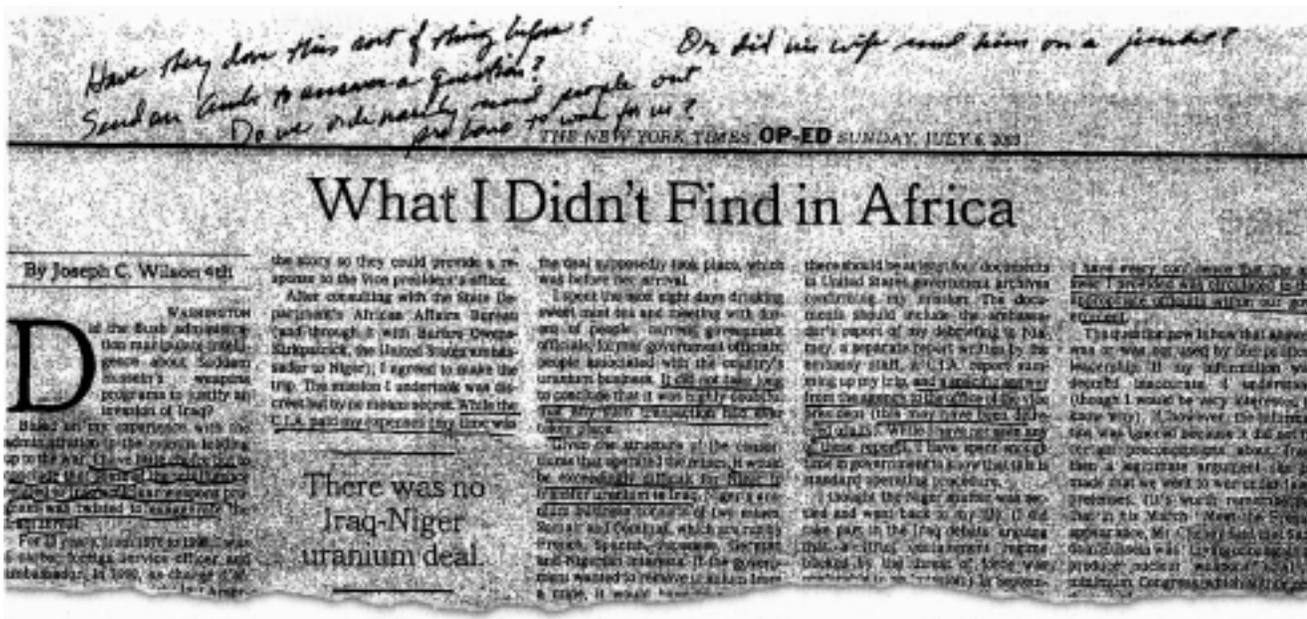
On May 24, 2006, Special Prosecutor Fitzgerald dropped another bomb, filing a "Reply to the Response of I. Lewis Libby to Government's Response to Courts Inquiry Regarding News Articles the Government Intends to Offer at Trial," which further identified Cheney as the architect of the Plame leak. Appended to the filing were redacted portions of the transcripts of two grand jury appearances by Libby, on March 5 and March 24, 2004. In that testimony, Libby

described the Vice President's reaction to the appearance of the Wilson op ed, but claimed that his discussions with Cheney about how to respond to the Wilson story took place *after* the Novak column blowing Mrs. Wilson's cover as a CIA officer. Fitzgerald wrote that he will present witnesses at trial who will confirm that Cheney ordered the "Get Wilson" campaign prior to the Novak leak, and that Libby lied before the grand jury, to cover up Cheney's role.

Nevertheless, as the redacted portions of Libby's grand jury testimony—now out in the public record—make clear, Cheney was the driver of the campaign to discredit Ambassador Wilson. Libby admitted, under oath, that he and other officials in the Office of the Vice President, had numerous conversations with Cheney, about the need to "get the facts out" to counter the devastating impact that the Wilson revelations had.

Whether he likes it or not, Libby has adopted a defense strategy that centers around the central argument: "The Devil made me do it."

As part of *EIR's* role as a publication of record, we publish below the full texts of Special Prosecutor Fitzgerald's May 12, 2006 and May 24, 2006 court submissions, along with the full texts of the portions of the Libby grand jury testimony, appended to the May 24 filing.



Fitzgerald's bombshell exhibit: Joseph Wilson's July 6, 2003 New York Times op ed, with margin notes and underlinings by Vice President Dick Cheney. This clipping precedes the "outing" of Wilson's wife as a CIA officer.

regarding former Ambassador Joseph Wilson's trip to Niger, including all documents reflecting relevant communications between defendant and any of the individuals concerning whom defendant seeks discovery in the Third Motion to Compel. The government has gone beyond its obligations under Rule 16 to produce additional materials from the Office of Vice President, Central Intelligence Agency and the State Department that relate generally to Mr. Wilson's trip. Defendant is entitled to no more.

Argument

I. The Annotated Wilson Op Ed is Relevant to Establish that Defendant's Immediate Superior Was Concerned that Mr. Wilson Was Sent on a "Junket" by his Wife, and Communicated His Concern to Defendant.³

3. Any suggestion that defendant would have to have seen the annotated Wilson Op Ed for it to be relevant or admissible is meritless. Whether or not defendant ever saw the annotated Wilson Op Ed, it is relevant and admissible to establish some of the facts noted by defendant's immediate superior, including the suspicion that Mr. Wilson's wife had "sen[t] him on a junket," (handwriting annotated on the Wilson Op Ed), and that his superior communicated these facts to defendant at or near the time the Wilson Op Ed was published.

Evidence that the defendant understood the concern that Mr. Wilson might have been "sen[t] . . . on a junket by his wife" shortly after July 6 would directly contradict defendant's testimony that he did not recall knowing on July 12 that Mr. Wilson had a wife and did not think at that time that the wife might have been involved in sending Mr. Wilson on the trip. See Government's Response to Courts Inquiry Regarding News Articles the Government Intends to Offer as Evidence at Trial at p. 6-7.

Nor does the annotated Wilson Op Ed present authentication problems. The document could be authenticated through the testimony of the Vice

While defendant testified before the grand jury that he did not recall seeing the copy of the annotated Wilson Op Ed until it was shown to him by the FBI in the fall of 2003, as discussed below, he also testified that he discussed the substance of the Wilson Op Ed with the Vice President and their conversations included discussion of issues reflected in the Vice President's handwritten notes. More specifically, during his first grand jury appearance on March 5, 2005, defendant testified in general terms that he did not remember in any detail his first conversation with the Vice President about the Wilson Op Ed, but he did recall that the Vice President was upset that the column in his view falsely attacked his credibility. (March 5, 2004, Grand Jury Transcript at 79.) Defendant then testified that the Vice President told him repeatedly that he wanted to "get the truth out," including "all the facts about what he had or hadn't done; what the facts were or were not." (March 5, 2004, Grand Jury Transcript at 81; see Exhibit A.) Defendant recalled discussing with the Vice President the issues reflected in the Vice President's handwritten notes but testified that he believed that they did not discuss the specific issue of

President, or under Fed. R. Evid. 902(6) ("printed material[] purporting to be newspaper[. . .] is self-authenticating) and Fed R. Evid. 901(b)(2) ("Non-expert opinion on handwriting"). See generally Fed. R. Evid. 901(a) (all that is required is "evidence sufficient to support a finding that the matter in question is what its proponent claims"). Contrary to defendant's assertion, the government has not represented that it does not intend to call the Vice President as a witness at trial. To the best of government's counsel's recollection, the government has not commented on whether it intends to call the Vice President as a witness, and the representations it has made regarding the identity of potential government witnesses have been limited to responses to the defense assertions in defendant's Third Motion to Compel.

Wilson's wife's employment until after the July 14, 2003, publication of the Novak column, or at least not before the defendant's conversation with Tim Russert on July 10 or 11, 2003. Ex. A at 84-86. Defendant further testified that the Wilson Op Ed was discussed in the White House on a daily basis and on multiple occasions each day during the week following July 6, 2003.⁴ Ex. A at 81.

During his second grand jury appearance on March 24, 2004, defendant reaffirmed that he discussed the issue of Mr. Wilson's wife's employment with the Vice President. (March 24, 2004, Grand Jury Transcript at 83-84 and 86-91, copies of which are annexed as Exhibits B and C.) Specifically, defendant testified that the Vice President "at times" expressed suspicion regarding why Mr. Wilson was selected to go on the mission, in light of Mr. Wilson's marital relationship, and made comments about Mr. Wilson's wife working at the CIA. Ex. B at 83. Defendant placed these conversations in "late July, maybe September," and in any event not before defendant's conversation with Tim Russert. *Id.* at 83-84. Defendant testified that of the issues addressed in the Vice President's annotations of the Wilson Op Ed that were discussed, only the discussion about Mr. Wilson's wife "might not have occurred" during the week of July 7, 2003. Ex. C at 91. Defendant also testified that he was unsure whether he and the Vice President discussed Ms. Wilson's employment aboard Air Force Two on July 12, 2003, although he did not recall doing so. Ex. B at 84.

Defendant's testimony discussed above makes clear that defendant talked to the Vice President multiple times about the Wilson Op Ed and that, during one or more of these conversations, the Vice President discussed with defendant issues noted in the Vice President's handwritten annotations—including the issue of Mr. Wilson's wife's employment at the CIA. Therefore, the annotations corroborate the government's other evidence indicating that these issues were communicated to defendant by his immediate superior, who also directed defendant during the critical week after July 6 to get out into the public "all" the facts in response to the Wilson Op Ed.

The fact that comments regarding Wilson's wife were included among the Vice President's annotations also supports the proposition that defendant's conversation with the Vice President regarding Mr. Wilson's wife more likely than not occurred shortly after the publication of the Wilson Op Ed, rather than later, as defendant claimed.⁵ Evidence placing

4. The President and several other officials traveled to Africa 4 during this period. However, the Vice President and the defendant did not travel with them.

5. To be clear, the government's argument is not (as the defendant claims) that it is more likely that the Vice President discussed these issues with defendant merely because he wrote them down but, rather that, in light of the Vice President's annotation of the Wilson Op Ed with the words, "Did Wilson's wife send him on a junket?," it is unlikely that, as defendant testified,

defendant's conversation with the Vice President shortly after the publication of the Wilson Op Ed also corroborates the accounts of a number of government witnesses who will testify that defendant discussed Mr. Wilson's wife on or before July 8, 2003. Thus, the annotated Wilson Op Ed is highly, and uniquely, relevant to a determination regarding the truthfulness of defendant's testimony that he did not recall information regarding Mr. Wilson's wife's employment prior to his conversation with Tim Russert on July 11, 2003.

II. Documents Related to Other Witnesses Have No Comparable Relevance.

The defense argues:

In the same way that the government finds the views of the Vice President regarding Wilson and his trip relevant to its case, the defense finds the views of other government officials, such as former Under Secretary of State Marc Grossman, regarding Ms. Wilson relevant to its case. . . . Just as Mr. Libby was interacting with the Vice President regarding Mr. Wilson's charges, so was he also interacting with Mr. Grossman and other government officials and their respective agencies.

Response at 5.

This argument ignores the fact that the Vice President was the defendant's immediate superior with whom the defendant worked daily and closely, and from whom defendant received direction regarding the response to be made to the Wilson Op Ed. Understanding what conversations took place between the Vice President and the defendant during the week of July 7, 2003, is critical to determining relevant issues in the case: whether defendant recalled Wilson's wife's employment prior to the conversation with Tim Russert on July 10 or 11, and whether defendant thought it necessary or appropriate to disclose that fact to reporters that week. Understanding what other government officials knew or thought about Mr. Wilson's Op Ed simply is not.

The Vice President—not Mr. Grossman or any of the other potential witnesses concerning whom defendant seeks additional discovery—specifically directed the defendant to speak to reporters during the week following the publication of the Wilson Op Ed. At the time, the Vice President rather—than other potential witnesses—was upset that his personal credibility had been attacked, unfairly in his view.

By his own account, defendant understood from the Vice President that it was necessary to get out "all" the facts in response to the Wilson Op Ed. The response to the Wilson

the issue was not discussed in defendant's repeated conversations with the Vice President during the week following the Wilson Op Eds publication.

Op Ed was a matter of repeated discussion between the defendant and the Vice President following its publication. The same cannot be said of the other potential witnesses. As to Mr. Grossman, for example—the only witness other than the Vice President to whom defendant refers in his Response—the relevant conversations between defendant and Mr. Grossman took place in late May and early June, when defendant asked questions about the unnamed former ambassador who traveled to Niger, and Mr. Grossman reported information in response to defendant’s inquiry. There is no evidence that defendant and Mr. Grossman had any relevant conversation after that time frame. While in May and June the defendant likely asked the questions of Mr. Grossman in response to the column written by Mr. Kristof, the defendant did not seek Mr. Grossman’s advice, much less direction, as to how to respond to press inquiries either before or after publication of the Wilson Op Ed.

Neither Mr. Grossman nor any other potential witness concerning whom defendant seeks discovery in his Third Motion to Compel had any authority over defendant’s communications with the press. After the Wilson Op Ed was published, defendant’s focus was on what his superior thought were relevant facts and what should be done to respond to the accusations it contained. There is no evidence that defendant had any interest in crafting a public response to the Wilson Op Ed that would protect the interests of any officials or agencies whom he perceived as having interests in conflict with those of the Vice President and his office.

In sum, it is the knowledge and state of mind of defendant that is relevant to the issue of guilt or innocence. The knowledge and state of mind of other government officials is relevant only if probative of defendant’s state of mind. Here, as defendant has acknowledged, the Vice President communicated to defendant the facts he considered notable, and also directed defendant to get out to the public “all” the facts in response to the Wilson Op Ed. Defendant shared the interests of his superior and was subject to his direction. Therefore, the state of mind of the Vice President as communicated to defendant is directly relevant to the issue of whether defendant knowingly made false statements to federal agents and the grand jury regarding when and how he learned about Ms. Wilson’s employment and what he said to reporters regarding this issue.

For the reasons set forth above and in the government’s prior submissions, including the fact that the government has already produced to defendant all documents received from any source relating to relevant conversations, correspondence, or meetings involving defendant, defendant’s Third Motion to Compel should be denied.

Conclusion

For all of the foregoing reasons, the United States respectfully requests that this Court deny the defendant’s motion.

Exhibits Attached To May 24 Filing

These exhibits are unedited transcripts. The redactions are indicated by dashes or for larger sections by the word “redacted.”

Exhibit A

Grand Jury No. 03-3
3rd & Constitution, N.W.
Washington, D.C. 20001
Friday, March 5, 2004

The testimony of I. LEWIS LIBBY was taken in the presence of a full quorum of the Grand Jury. . . .

[Redacted]

Q. And was it a discussion of — that was — was it a topic that was discussed on a daily basis?

A. Yes, sir.

Q. And it was discussed on multiple occasions each day in fact?

A. Yes, sir.

Q. And during that time did the Vice-President indicate that he was upset that this article was out there which falsely in his view attacked his own credibility?

A. Yes, sir.

Q. And do you recall what it is that the Vice-President said?

A. I recall that he was very keen to get the truth out. He wanted to get all the facts out about what he had or hadn’t done, what the facts were or were not. He was very keen on that and said it repeatedly. Let’s get everything out. He wanted to get it all that. That, that I recall.

Q. Do you recall if you ever discussed a copy of the article with Vice-President Cheney — in front of you what you talked about?

A. Physical copy in front of him? I don’t recall that. He often cuts out an article and keeps it on his desk somewhere and thinks about it and I subsequently learned that he had such an article from the FBI agents who talked to me.

Q. And had you seen that copy of the article before the FBI showed it to you during the course of the investigation?

A. I, I don’t recall it. It’s possible if it was sitting on his desk that, you know, my eye went across it. I don’t, I don’t recall him pulling it out and saying something to him, but we talked about the article a fair amount.

MR. FITZGERALD. And let me show you a copy of the article with handwritten notes on it.

MS. KEDIAN. Grand Jury Exhibit 8.



C-Span

Ambassador Joseph Wilson and Mrs. Wilson watching the Stephen Colbert spoof on the President at the White House Correspondents' Association dinner, April 29, 2006.

BY MR. FITZGERALD:

Q. And in looking at Grand Jury 8, can you tell us if you recognize the handwriting at the top, top of both pages?

A. Yes, sir. It looks like the Vice-President's handwriting.

Q. Okay. And I take it you're familiar with his handwriting?

A. I am. I couldn't necessarily pick it out from similar handwriting, but this looks like his handwriting generally.

Q. Okay. And is it fair to say that there's various items underlined in this copy?

A. Yes, sir.

Q. Does that include the sentence, I have little choice but to assume that some of the intelligence related to Iraq's nuclear weapons program was twisted to exaggerate the Iraqi threat?

A. Yes, sir.

Q. And does it also include handwriting at the top of the page that says, that reads, have they done this sort of thing before?

A. I'm sorry, are you asking me if that appears at the top of the page?

Q. Yes.

A. Yes, sir, it does.

Q. And does it say beneath that, send our - - send an ambassador to answer a question?

A. Yes, sir.

Q. And does it say below that, do ordinary send people out pro bono to work for us?

A. It does, sir.

Q. And does the top of the page have a note that continues over to the second page, or did his wife send him on a junket?

A. Yes, sir.

Q. And do you recall ever discussing those issues with Vice-President Cheney?

A. Yes, sir.

Q. And tell us what you recall about those conversations.

A. I recall that along the way he asked, is this normal for them to just send somebody out like this uncompensated, as it says. He was interested in how did those person come to be selected for this mission. And at some point after we were in his — wife worked at the Agency, you know, that was part of the question.

Q. Okay. And is it fair to say that he had told you back in June, June 12th or before, prior to the Pincus article, that his wife worked in the functional office of the Counterproliferation of the CIA. Correct?

A. Yes, sir.

Q. So when you say, that after we learned that his wife worked at the Agency, that became a question. Isn't it fair to say that you already knew it from June 12th or earlier?

A. I believe by, by this week I no longer remembered that. I had forgotten it. And I believe that because when it was told to me on July 10, a few days after this article, it seemed to me as if I was learning it for the first time. When I knew it when I heard.

Q. Okay. So let me back up a moment. We'll get to the July 10 conversation.

A. Yes, sir.

Q. Do you recall when the Vice-President told you that we ordinarily sent — or did the send him a junket when you had that conversation? Do you know when that was in relation to the July 6 article?

A. I don't recall the conversation until after the Novak piece. I don't recall it during this week of July 6. I recall it after the Novak conver — after the Novak article appeared I recall it, and I recall being asked by the Vice-President early on, you know, about this envoy, you know, who is it and — but I don't recall that early on he asked about it in connection with the wife, although he may well have given the note that I took.

Q. And so your recollection is that he wrote on July — that you discussed with the Vice-President, did his wife send him on a junket? As a response to the July 14th Novak column that said, he was sent because his wife sent him and she works at the CIA?

A. I don't recall discussing it — yes, I don't recall discussing it in connection when this article first appeared. I recall it later.

Q. And are you telling us under oath that from July 6th to July 14th you never discussed with Vice-President Cheney whether Mr. Wilson's wife worked at the CIA?

A. No, no, I'm not saying that. On July 10 or 11 I learned, I thought anew, that the wife — that reporters were telling us that the wife worked at the CIA. And I may have had a conversation then with the Vice-President either late on the

11th or on the 12th in which I relayed that reporters were saying that. When I had that conversation I had forgotten about the earlier conversations in which he told me about — reflected in my notes that we went over this morning, in early June, before the Pincus article, when he had told me that the wife worked at the CIA. I had just forgotten it.

Q. And you just affixed the, the person — who did you speak to on July 10th or 11th that you recalled learning again, thinking it was for the first time, that Wilson's wife worked at the CIA?

A. Tim Russert of NBC News, Washington Bureau Chief for NBC News.

EXHIBIT B

Grand Jury No. 03-3
3rd & Constitution, N.W.
Washington, D.C. 20001
Wednesday March 24, 2004

The testimony of I. LEWIS LIBBY was taken in the presence of a full quorum of the Grand Jury. . . .

[Redacted]

Q. And did the Vice-President ever indicate his belief that Ambassador Wilson was selected to go on this mission because of his marital relationship with someone who worked at the CIA?

A. He — I think he, at times, had suspicions about, you know, is that why he was selected for this mission?

Q. And what makes you say that?

A. You know, I think he made comments about it in connection with, well, his — you know, his wife works there. It wasn't a full sentence, I don't think, but that's the sort of notion I took from it.

Q. An implication that if his wife hadn't worked there, he wouldn't have been the one sent to do the job?

A. Something like that. Yes, sir.

Q. And when did the Vice-President say that?

A. Oh, these were in discussions, July, maybe — late July, maybe September, things like that.

Q. And what was the — why was the Vice-President discussing that in late July, early September?

A. People would come through and talk about different issues and, you know, an issue might come up about the Wilson controversy which was in the news.

Q. And why did the President — Vice-President not discuss this back in June, on or about June 9th, 10th, 11th, when you were preparing for the Pincus column and he noted that his wife works at the CIA? Did you take from that an observation that, oh, his wife works out there, he wouldn't have the job otherwise?

A. No, sir. The only, the only time I recall discussing it just then was that discussion. That's all I recall.

Q. And when you —

A. I'm sorry, when I say that discussion, I want to be clear, the discussion that I took the note about.

Q. And from July 6th, when the Novak — July 6, when the Wilson piece appears, until July 12, when you were talking to reporters after Air Force Two, do you recall any conversation during that week where Vice-President Cheney observed or had it brought to his attention that Wilson's wife worked at the CIA?

A. I certainly don't recall any discussion about that prior to the Russert/Novak conversations when I learned about the wife, what I thought was the first time. And I don't recall, as I told you before, whether we discussed that on the plane that day.

Q. And do you—

A. But I don't, I don't recall, any such discussion.

[Redacted]

EXHIBIT C

Grand Jury No. 03-3
3rd & Constitution, N.W.
Washington, D.C. 20001
Wednesday, March 24, 2004

The testimony of I. LEWIS LIBBY was taken in the presence of a full quorum of the Grand Jury. . . .

[Redacted]

Q. And why don't I show you the copy of the July 6th column with some handwriting on it. And I believe we showed this document to you the last time, or at least discussed it, and you indicated that you had not seen this copy of the article with the handwriting until the FBI showed it to you?

A. That's my recollection, sir.

Q. And showing you what has been already marked as Grand Jury Exhibit 8, is that the copy of the Wilson column with the handwriting that you recall first being shown by the FBI?

A. Yes, it is.

Q. Okay. And have you ever seen the Vice-President with a paper copy of the Wilson column? And by paper copy I mean one not printed off the internet, not printed off a computer, but the actual physical newspaper column?

A. I don't recall.

Q. Did you often see him with the actual newspaper column — actual physical columns from newspapers?

A. Yes, he often will cut out from a newspaper an article using a little pen knife that he has and put it on the edge of his desk or put it in his desk and then pull it out and look at it, think about it. That will often happen.

Q. Okay. And do you recall if he did that on this occasion on July 6th?

A. Evidently he did, but I don't recall.

Q. Okay. And fair to say —

A. Once again, this, this column came out, I believe he got this column when he was in Wyoming, not in Washington, over the July 4 recess. And so it's — I don't think it would have been there the day I walked in the office, for example.

Q. How long does the Vice-President keep the columns that he cuts out with a pen knife and puts on the corner of his desk?

A. Sometimes a long time.

Q. And if you walk in the Vice-President's office, would you see a stack of old newspaper articles on the corner of his desk?

A. He doesn't necessarily always keep it on the corner of his desk. He keeps it underneath papers or in a briefcase or something. I've seen him produce them from different places. And since the FBI showed me this, I have on occasion, noticed him still — you know, having a document on his desk which is a cut out newspaper article.

Q. Just to paint a picture for people who haven't been to the office of the Vice-President, if any of us would walk into his office would we, would we see a stack of newspaper clippings or are we talking about one or two columns that might be on the desk if someone were to look?

A. Oh, one or two. I mean, you'd see stacks of paper and you wouldn't know what was in the stack of paper. I — I'd never seen bunches of them, but I have seen two or three.

Q. And the handwriting at the top, is it fair to say that that appears to be the Vice-President's handwriting?

A. Yes, sir. As I told you last time

Q. Right.

A. — I think that's right.

Q. And does one of the questions indicate at the top here say, had they done this sort of thing before?

A. Yes, sir.

Q. And do you recall the Vice-President ever asking you whether or not the CIA had ever done this sort of thing before?

A. I think he did at one point.

Q. And do you know when that would have been?

A. No, sir.

Q. And it says here, underneath that, says, send an ambassador to answer a question? Did, did he ever express to you his disbelief that they would send an ambassador to answer a question?

A. I don't recall him asking that specific question.

Q. Knowing the Vice-President the way you do with daily contact, would the question, send an ambassador to answer a question, indicate some sort of belief on his part that it seems sort of silly to send an ambassador overseas to answer a question?

A. It certainly seems like he thought it was an issue, yes.

Q. And the next question written is, do we ordinarily send people out pro bono to work for us? Do you recall the Vice-President asking you a question to the effect of, do we, the United States government, send people unpaid to go work

for us?

A. Yes, sir. I think he asked something like that.

Q. And do you recall when he asked about that?

A. I, I don't.

Q. And lastly, it says, or did his wife send him on a junket?

Do you recall the Vice-President indicating or asking you or anyone in your presence whether or not Ambassador Wilson's wife had arranged to have him sent on a junket?

A. I think I recall him — I don't recall him asking me that particular question, but I think I recall him musing about that.

Q. Okay. And do you recall when it was that he mused about that?

A. I think it was after the Wilson column.

Q. Okay, and obviously —

A. I don't mean the Wilson column, I'm sorry; I misspoke. I think it was after the Novak column.

Q. Okay. And you mentioned last time that you thought he had written, handwritten here, may have been discussed at a later date, like August or September by the Vice-President?

A. Yes, sir.

Q. And —

A. I don't know, later. I don't know when, but yes.

Q. Okay. And can you tell us why it would be that the Vice-President read the Novak column and had questions some of which apparently seem to be answered by the Novak column, would go back and pull out an original July 6th op-ed piece and write on that?

A. I — I'm not sure I —

Q. Well, the Novak column —

A. — followed your — he, he often kept these columns for awhile and keeps columns and will think on them. And I think what may have happened here is he may have — I don't know if he wrote, he wrote the points down. He might have pulled out the column to think about the problem and written on it, but I don't know. You'll have to ask him.

Q. As you sit here today are you telling us that his concerns about Ambassador Wilson, his concern that he's working pro bono, his concerns that he's an ambassador being sent to answer a single question, his concern that his wife may have sent him on a junket, would not have occurred between July 6th and July 12th when you were focusing on responding to the Wilson column but instead would have occurred much later?

A. The only part about the wife, sir, I think might not have occurred in that week. The rest of it, I think, could have occurred in that week because, you know, it's all there. You say it's all in the column. The part about the wife I don't recall discussing with him. It might have occurred to him but I don't recall discussing it with him prior to learning, again, about the wife.

Q. And when you say learning again, you mean your conversation with Mr. Russert —

A. Yes.

Special Counsel Filing On Lewis Libby, May 12

This is the complete filing by Special Counsel Patrick Fitzgerald, submitted to the court in the Lewis Libby case on May 12. We print the entire document here, so that readers will have a full and accurate picture of what Fitzgerald states regarding the state of mind of Cheney and Libby, which he presents to show their motivation for the criminal offenses which with Libby is charged. Thus, readers do not have to rely on simplistic press reports.

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA)
)
v.) CR. NO 05-394 (RBW)
)
I. LEWIS LIBBY,)
also known as "Scooter Libby")

Government's Response to Court's Inquiry Regarding News Articles the Government Intends to Offer As Evidence at Trial

The UNITED STATES OF AMERICA, by PATRICK J. FITZGERALD, SPECIAL COUNSEL, respectfully submits the following in response to the Court's direction, during the May 5, 2006 oral argument on defendant's Third Motion to Compel Discovery, that the government identify any exhibits consisting of news articles that it anticipates offering in its case in chief at trial.¹

As set forth more fully below, the Government currently intends to offer in evidence one news article in its entirety (a copy of the July 6, 2003, "Op Ed" article by Joseph Wilson bearing handwritten annotations) subject to a limiting instruction advising the jury that the statements in that article are not

1. In preparing this response, the government notes that, because many months remain before trial, many issues, including issues concerning classified discovery, remain to be decided. Moreover, the issues that will be disputed at trial have not been fully framed, and the specific arguments of the defense have not been brought into focus to the extent that they will be following opening statements. In addition, the government has not received any defense discovery to date. As a result, the government's description of its intentions regarding the offering of news articles necessarily is tentative, but the government sets forth its intentions as accurately as it can in good faith at this time.

offered for the truth of the matter asserted. The government also intends to offer several other news articles in redacted form, similarly subject to a limiting instruction. Finally, the government anticipates that testimony at trial, as well as portions of the defendant's grand jury testimony to be offered in evidence, may refer to certain other news articles; however, the government does not intend to offer those articles in evidence even in redacted form.

The Wilson Op Ed Article

The Government intends to offer as evidence in its case in chief a copy of the July 6, 2003, New York Times "Op Ed" article authored by former Ambassador Joseph Wilson (the "Wilson Op Ed"), and bearing handwritten annotations by the Vice President. A copy of the annotated Wilson Op Ed is annexed to this response as Exhibit A.

The annotated Wilson Op Ed is relevant and admissible for two principal reasons. First, the article itself lies at the center of the sequence of events leading to the defendant's alleged criminal conduct. The article, and the fact that it contained certain criticisms of the administration, including criticisms regarding issues dealt with by the Office of the Vice President ("OVP"), serve both to explain the context of, and provide a motive for, many of the defendant's statements and actions at issue in this case. In particular, admission of the Wilson Op Ed is necessary to assist jurors in understanding how, beginning on July 6, 2003, and continuing through the following week, the attention of the defendant, his colleagues, and the media was heavily focused on responding to the issues raised in that article. Although the substance of the Wilson Op Ed is relevant and admissible to establish the issues to which the defendant and others with whom he worked believed a response was required, and to provide context for the defendant's statements and actions, the government will propose an instruction to the jury that the statements made in the Wilson Op Ed may not be considered as proof of the truth of the matters asserted but, rather, may be considered solely as evidence that the statements in the article were made and published, and may have caused others to take action in response.

The second principal reason for the admissibility of the annotated Wilson Op Ed lies in the annotations placed on a copy of the article by the defendant's immediate superior, the Vice President. Those annotations support the proposition that publication of the Wilson Op Ed acutely focused the attention of the Vice President and the defendant—his chief of staff—on Mr. Wilson, on the assertions made in his article, and on responding to those assertions. The annotated version of the article reflects the contemporaneous reaction of the Vice President to Mr. Wilson's Op Ed article, and thus is relevant to establishing some of the facts that were viewed as important by the defendant's immediate superior, including whether Mr. Wilson's wife had "sen[t] him on a junket."

News Articles to be Offered in Redacted Form

The Government also intends to adduce proof concerning certain other news articles, which it will seek to offer in redacted form, including the following:

- May 6, 2003, *New York Times* article by Nicholas Kristof;
- June 12, 2003, *Washington Post* article by Walter Pincus;
- June 30, 2003, *New Republic* article by John B. Judis and Spencer Ackerman;
- July 14, 2003, *Chicago Sun Times* column by Robert Novak; and
- July 17, 2003, *Time.com* article by Matthew Cooper and others.

(Copies of these articles are annexed hereto as Exhibits B through F.) The relevance of each of these articles is briefly outlined below. Prior to trial, the government will submit proposed redacted versions of each article.

The May 6, 2003 article by Mr. Kristof is relevant to establish when press reporting relating to Mr. Wilson's trip began, although the article did not refer to Mr. Wilson by name. The Kristof article caused inquiry to be made within the OVP, and eventually by the defendant, about Mr. Wilson's trip, and this led to relevant conversations between the defendant and other witnesses, including Marc Grossman (then Under Secretary of State for Political Affairs), certain CIA officials, and other persons in the OVP, during which the defendant was advised of the CIA employment of Mr. Wilson's wife. The article thus provides context for the evidence of conversations concerning Mr. Wilson's wife about which the defendant is alleged to have made false statements and provided false testimony.

The June 12, 2003, *Washington Post* article by Mr. Pincus (to whom both Mr. Wilson and the defendant spoke prior to publication of the article) is relevant because Mr. Pincus' questions to the OVP sparked discussion within the OVP, including conversations between the defendant and the Vice President regarding how Mr. Pincus' questions should be answered. It was during a conversation concerning Mr. Pincus' inquiries that the Vice President advised the defendant that Mr. Wilson's wife worked at the CIA. (To be clear, the government does *not* contend that the defendant disclosed the employment of Ms. Plame to Mr. Pincus, and Mr. Pincus' article contains no reference to her or her employment.) The article by Mr. Pincus thus explains the context in which the defendant discussed Mr. Wilson's wife's employment with the Vice President. The article also served to increase media attention concerning the then-unnamed ambassador's trip and further motivated the defendant to counter Mr. Wilson's assertions, making it more likely that the defendant's disclosures to the press concerning Mr. Wilson's wife were not casual disclosures that he had forgotten by the time he was asked about them by the Federal

Bureau of Investigation and before the grand jury.

The June 2003 *New Republic* article is relevant because it caused the defendant to speak with Ambassador Eric Edelman (who had just left his position as defendant's Principal Deputy) in late June 2003 and discuss the fact that they could not talk about the former ambassador's trip because of "complications" at the CIA which could not be further discussed on an open telephone line. Additionally, like the June 12, 2003, article by Mr. Pincus, this article increased media attention concerning Mr. Wilson's trip and further motivated the defendant to counter Mr. Wilson's assertions, making it more likely that the defendant's disclosures to the press concerning Mr. Wilson's wife were not casual disclosures that he had forgotten by the time he was asked about them by the Federal Bureau of Investigation and before the grand jury. Only two paragraphs of the lengthy article address Ambassador Wilson's trip, and thus the government anticipates proposing a heavily redacted version of the article, perhaps limited to those two paragraphs.

The July 14 *Chicago Sun Times* column by Mr. Novak is relevant because on the day the article was published, a CIA official was asked in the defendant's presence, by another person in the OVP, whether that CIA official had read that column. (The CIA official had not.) At some time thereafter, as discussed briefly at the March 5 oral argument, the CIA official discussed in the defendant's presence the dangers posed by disclosure of the CIA affiliation of one of its employees as had occurred in the Novak column. This evidence directly contradicts the defense position that the defendant had no motive to lie because at the time of his interview and testimony the defendant thought that neither he nor anyone else had done anything wrong. Moreover, the evidence rebuts the defense assertion that the defendant could have easily forgotten his conversations with reporters Cooper and Miller on July 12 if he learned of the potential consequences of such disclosure as a result of the publication of the Novak column on July 14. Instead, the evidence about the conversation concerning the Novak column provides a strong motive for the defendant to provide false information and testimony about his disclosures to reporters. In addition, there will be evidence that the defendant discussed aspects of the Novak article at other relevant times after July 14 but prior to his FBI interview and grand jury testimony.

The July 17, 2003, article on *Time.com* by Mr. Cooper and others is relevant because it contains a statement that:

Some government officials, noting that Wilson's wife, Valerie Plame, is a CIA official who monitors the proliferation of weapons of mass destruction, intimate that she was involved in his being dispatched Niger [*sic*] to investigate reports that Saddam Hussein's government had sought to purchase large quantities of uranium ore,

sometimes referred to as yellow cake, for the purposes of building nuclear devices.

The article also reflects an “on the record” quote by the defendant regarding the Vice President’s lack of knowledge of Mr. Wilson’s trip until “it became public in the last month or so.” The evidence will show that an earlier *Time* magazine article published on July 14, 2003, only contained part of defendant’s quote. After the OVP contacted *Time* magazine to complain that the defendant’s full “on the record” quote was not contained in the article, *Time* published the fuller version of the quote in the July 17, 2003, online column. The statements to Mr. Cooper—an exceedingly rare “on the record” comment by the defendant—as well as OVP’s desire to correct the article to include the full quote, are relevant to demonstrating the attention paid to the defendant’s statements to Mr. Cooper. The effort to include the defendant’s full quote, while at the same time offering no dispute as to the characterization of anonymous government officials concerning Ms. Plame, is important because the Cooper article asserts that government officials had intimated that Ms. Plame was involved in sending Mr. Wilson on the trip. The defendant testified to the contrary—that he did not think that Ms. Plame played any role in sending Mr. Wilson on the trip prior to reading the Novak article. The defendant testified that he thought Mr. Wilson to be fully qualified for what he did. The defendant’s grand jury testimony indicates that he did not express any belief to Mr. Cooper on July 12 that Mr. Wilson was sent on the trip because of his wife and had not thought about that possibility until he read Novak’s July 14 column. Rather, the defendant claims that he told reporters that he was not sure Mr. Wilson even had a wife. Mr. Cooper, to the contrary, testified that the defendant had advised him on July 12 that the defendant had heard that Mr. Wilson’s wife was involved in sending Mr. Wilson on the trip to Niger. (This conflict in testimony heightens the relevance of the annotations on Exhibit A concerning whether Mr. Wilson’s wife had sent him on a “junket.”) Whether the defendant lied about his conversation with Mr. Cooper is a core issue in the case. As with the *New Republic* article, the government anticipates offering a heavily redacted version of the online article, perhaps limited to the defendant’s on-the-record quote and the discussion of Ms. Plame.

Articles About Which the Government Expects to Offer Evidence, but Which the Government Does Not Presently Expect to Offer in Evidence Themselves

In addition to the Wilson Op Ed and the articles described above that the government anticipates offering in redacted form, the government expects its evidence in its case-in-chief to include testimony referring to several additional news articles, as well as passages from the defendant’s grand jury testimony that will refer to certain news articles.

Two of these news articles are associated with the Wilson Op Ed. The government expects that witness testimony and portions of the defendant’s grand jury testimony will contain references to the fact that an article concerning Mr. Wilson was published in the *Washington Post* on July 6, 2003 (the same day that the Wilson Op Ed appeared in the *New York Times*), and that Mr. Wilson appeared on *Meet the Press* on that same day and made statements during that appearance consistent with those made in the Wilson Op Ed. While the government intends to make reference to the *Washington Post* article and the *Meet the Press* appearance as proof of the level of attention being paid to Mr. Wilson, and the level of attention being paid by the defendant and others to responding to Mr. Wilson at that time, the government does not intend to offer the text of the *Washington Post* article or the transcript of Mr. Wilson’s *Meet the Press* appearance, or otherwise to describe any specific statements contained in either of them.

In addition, the government’s evidence at trial (including the defendant’s grand jury transcript) will refer to a July 17, 2003, *Wall Street Journal* editorial entitled “Yellowcake Remix,” which contained quotations from the 2002 National Intelligence Estimate (“NIE”). This editorial resulted from the defendant’s transmittal, through another government official, of a copy of portions of the NIE to the *Wall Street Journal* shortly before the editorial was published. This evidence is relevant to establish that during the relevant time frame in July 2003, the defendant, notwithstanding other pressing government business, was heavily focused on shaping media coverage of the controversy concerning Iraqi efforts to obtain uranium from Niger. The government does not intend to offer in evidence a copy of the editorial itself, and will not contend that the defendant’s actions in this regard were criminal or otherwise unauthorized.

Finally, the government notes in the interest of completeness that it *may* offer annotated copies of an October 2003 article by Seymour Hersh in *The New Yorker* if it appears that the defendant will pursue the defense that he was too focused on other urgent national security matters to remember accurately what took place during his conversations with reporters. The government received from the OVP multiple copies of the same article bearing handwritten annotations, apparently by the defendant and others in his office. However, it is not the government’s present intention to offer those annotated copies.

In conclusion, the government wishes to emphasize that with respect to each of the above articles other than the annotated version of the Wilson Op Ed, the government is willing to consider offering any appropriate redactions, or alternatively a stipulated summary of the relevant assertions in the article, and will also agree to an instruction that the articles are not offered to prove the truth of the matters asserted in the articles, but instead are offered to prove that the statements were made and published and to explain any actions the defendant took in response.

National News

LPAC Expands Mobe For Economic Recovery Act

From California to Capitol Hill, the LaRouche Political Action Committee expanded its efforts in the week before the Memorial Day recess to give Congress the moral courage to pass legislation to launch a fullscale economic recovery, centered on retooling the increasingly idled auto sector, and using it to rebuild the delapidated industrial infrastructure of the nation.

LPAC and the LaRouche Youth Movement have increased the density of their organizing with unionists, local Democratic leaders, mayors, city councilmen, state legislators, Congressional staffers, and Members of Congress.

Some 64 auto plants across the country are slated for closure in the coming months. Without the advanced machine-tool capability embodied in the auto section, the nation quickly would head toward Third World status.

The focus of their organizing is LPAC's pamphlet, "The U.S. Economic Recovery Act of 2006," available at www.larouche-pac.com. Hundreds of thousands of copies are being distributed throughout the country.

Axiom-Blind FTC Found No Gas-Price Gouging

The axiom-challenged Federal Trade Commission announced May 22 that it found no evidence of major gas-price gouging in the aftermath of Hurricane Katrina's destruction of Gulf Coast refineries. After an extensive study, the FTC determined that there was no gasoline price manipulation and only isolated gas price-gouging in the wake of Hurricane Katrina in 2005.

The result is not surprising, given that the FTC began by eliminating the idea that there is an oil cartel, thus making it incapable of conducting a competent investigation. As the FTC stated in a footnote to its 200-page study: "Even the largest private oil companies control only a very small fraction of

world crude oil production, and significant price manipulation through control of crude oil by private oil companies therefore appears highly unlikely." If you leave out the organizing principle, the organization is much harder to find.

Murtha, Mora Given JFK Profile in Courage Award

Rep. John Murtha (D-Penn.) and Alberto Mora, a former Navy general counsel, received the John F. Kennedy Profile in Courage Award May 22 in a ceremony at the JFK Library in Boston, attended by several members of Congress and the Kennedy family. The release on the award says: "Murtha, a decorated combat veteran and conservative Democrat with a long history of supporting he military, broke ranks with the Bush Administration in November, when he called for withdrawal of troops from Iraq. Murtha's change of heart helped shape the public debate over the war, because of his reputation as a Democratic hawk and retired Marines Reserves colonel who enjoyed easy access to Presidents." The award committee said Murtha's decision "made him the target of withering political attacks and resulted in efforts by political opponents to discredit his Vietnam War decorations. Murtha is quoted as follows: "Today my words of Nov. 17, 2005, and the many that followed, reflect not only my gut consciousness, but that of many in our military and the majority of this country. I am proud to be the messenger of those who at one time had no voice."

The release characterizes Alberto Mora as follows: "Mora, formerly one of the Pentagon's top civilian lawyers, fought a two-and-a-half year behind-the-scenes battle with Pentagon brass and civilian leaders over U.S. military policies regarding detainees—policies he said could invite abuse." Mora commented; "We need to be clear. Cruelty disfigures our national character. It is incompatible with our Constitutional order, with our laws, and with our most prized values. Cruelty can be as effective as torture in destroying human dignity, and there is no moral distinction between one and the other."

Health Care Fixers Indicted for Fraud

Seven top officials of National Century Financial Enterprises—the financing arm of the corrupt firm designated by the Lazard-controlled D.C. Financial Control Board to take over hospital services from D.C. General Hospital in 2001—were indicted May 22 in Columbus, Ohio for money laundering, conspiracy, and securities fraud in the amount of \$3 billion.

EIR in 2001 had repeatedly exposed the fact that National Century and its partner, Doctors Community Healthcare Corp. (DCHC), had been investigated for fraud and racketeering in numerous jurisdictions. Nonetheless, the Control Board gave the National Century-financed DCHC the contract to privatize D.C. General's services.

National Century bought up accounts receivable from health-care providers and hospitals, and then bundled them into asset-backed securities and marketed them. When National Century went bankrupt in 2002, more than \$3 billion was found to be missing. At least 275 health-care firms went bankrupt in the wake of National Century's collapse.

Dem Progressives Say 'No' to Nuke First Use

Members of the House Democrats' Progressive Caucus held unofficial hearings May 24, and are gathering signatures for a letter to President Bush in opposition to a pre-emptive U.S. nuclear strike against Iran.

Testifying at a hearing on the question "Would war with Iran help or hurt U.S. national security?" were Samantha Power, former executive director of the Carr Center for Human Rights at Harvard, and Dr. Jessica Tuchman Matthews, president of the Carnegie Endowment for International Peace.

The 62-member caucus, co-chaired by Reps. Barbara Lee and Lyn Woolsey of California, plans to continue holding ad hoc hearings and public forums, including on the

question of pre-emptive warfare as a national security strategy. Reps. Peter DeFazio and Dennis Kucinich also took part in the hearings.

Caucus member Ed Markey is gathering signatures for a letter to Bush. The letter raises concern about remarks made by Bush on April 18, indicating he might be willing to launch a nuclear strike on Iran. Markey's letter points out that such an attack would be a violation of a pledge made in a 1995 U.S. statement, and U.S. commitments to the U.N. Security Council. The 1995 document says the United States "will not use nuclear weapons against non-nuclear-weapon States Parties to the Treaty on the Non-Proliferation of Nuclear Weapons, except in the case of an invasion or any other attack on the United States, its territories, its armed forces or other troops, its allies, or on a State towards which it has a security commitment, carried out or sustained by such a non-nuclear-weapon State in association or alliance with a nuclear-weapon State."

Markey's letter says: "We therefore urge you to make it clear that the U.S. is not actively considering first use of nuclear weapons against Iran in response to its efforts to obtain uranium enrichment capabilities."

New U.S. Nuke Plants Move Closer To Reality

New Nuclear plants are moving closer to reality as a result of regulatory streamlining, plus technology innovation incentives packaged in the Energy Act of 2005.

Sen. Pete Domenici (R-N.M.), chair of the Senate Energy and National Resources Committee, held a hearing May 22 to assess the progress toward bringing new nuclear facilities on line. After hearing of plans by 16 utility companies for building 25 nuclear plants, Domenici said, "This is no longer a flash in the pan. Industry is very serious. They are doing the work and investing the resources." He commented that there is a nuclear renaissance going on in the world, and "we are in the early days of a nuclear power renaissance in this country."

Key to the advancement of nuclear plants are provisions in the energy bill, in-

cluding production tax credits, loan guarantees, and the re-authorization of Price Anderson Nuclear Industries Indemnity Act for another 20 years.

U.S. Proposes New Nuke Material Cut-Off Treaty

Having refused to ratify the existing Fissile Material Cut-Off Treaty (FMCT) for years, U.S. Assistant Secretary of State for Arms Control Stephen Rademaker, at the 65-nation Conference on Disarmament in Geneva May 20, presented a three-page proposal which would bar the production of weapons-grade uranium and plutonium "to improve the world's leverage against 'hard cases' like Iran and North Korea."

According to Rademaker, the U.S. proposal left out verification measures to avoid years of protracted negotiations, and it said "government could use 'national means'—or intelligence—to detect violations by other countries. . . ." In reality, the reason verification measures were left out, is that the Bush regime wants to institutionalize the "pre-emptive attack" in an international agreement.

Senate Dems Want Iran NIE To Avoid New Iraq

The Senate Democratic leadership has sent a letter to President Bush, asking for a new National Intelligence Estimate on Iran, to "avoid repeating the mistakes made in the run-up to the conflict in Iraq." They write, "We must have objective intelligence untainted by political considerations or policy preferences, and a comprehensive debate in the Congress about the best short- and long-term approaches to resolving the international community's differences with Iran." The letter was signed by Minority Leader Harry Reid (Nev.) and Senators Richard Durbin (Ill.), Jay Rockefeller (W. Va.), Carl Levin (Mich.), and Joe Biden (Del.).

'HOMEOWNER FUTURES':

Reuters reported, "The Chicago Mercantile Exchange launched its suite of housing futures contracts on Monday (May 22) in time for what some see as a full-fledged deflation of the U.S. housing bubble." Either way, a new boondoggle came on the scene with the Chicago Mercantile Exchange's introduction of "cash-settled" futures and options based on real estate prices in 10 metro areas: Boston, Miami, New York, San Diego, San Francisco, Washington DC, Chicago, Denver, Las Vegas, and Los Angeles.

ENVOY TO MEXICO denounced border barricade plan. At the University of Texas at Austin graduation ceremonies May 20, Ambassador Tony Garza said, "Simply building walls does not speak America to me. I know we can be both a welcoming society, and a secure and lawful one." While advocating tolerance for Ibero-American immigrants, he did not address the matter of immigration itself.

U.S. MEDIA SILENCE broken on global financial crash. After weeks of the U.S. media whistling past the abyss, the *Los Angeles Times* on May 23 at least mentioned the "deepening worries about the global economy" and "fears of a U.S. recession." But, this is mild in comparison with the London *Financial Times*, and other European media.

U.S. HOUSE voted to cut off all aid to the Palestinians, and declare the Palestinian Authority-administered lands a "terrorist sanctuary." The Jerusalem Fund, a pro-peace Palestinian think-tank in Washington, denounced the bill introduced by Clash of Civilizations warmonger Rep. Ileana Ros-Lehtinen (R-Fla.), as the most dangerous anti-Palestinian legislation ever passed. The House bill would also direct the World Bank to force all international financial institutions to cut off humanitarian aid to the Palestinians.

LaRouche Warns: Cheney Plans To Launch Iran Strike in June

Lyndon LaRouche issued a public warning on May 24, that an ever-more desperate Bush Administration, led by Vice President Dick Cheney, is seriously planning a preventive military strike against Iran sometime between now and early July. The warning is based on a series of reports from well-placed military and security sources in the United States and Europe, who point to a particular convergence of developments over this period.

First, European security sources have issued dire warnings of serious terrorist disruptions of the scheduled World Cup Soccer tournament, which takes place in a dozen German cities from early June through early July. These widely publicized soccer events are believed to be targeted by so-called hooligan gangs, neo-Nazi youth, and possibly by “Islamist” organizations, according to these security specialists. LaRouche pointed out that all of these countergangs have strong ties to the same European Synarchist financial circles who financed the Mussolini, Hitler, Franco, and Vichy fascist organizations during the 1922-1945 period. The heirs of those Synarchist financiers today are actively involved in promoting a resurgence of a new international fascist apparatus, which was already linked to the Madrid, Spain bombings of March 11, 2004, and which capability extends to Italy and parts of South America, as well as into the Islamic world.

This Synarchist apparatus also has special capabilities inside Mexico, dating back to the Mussolini and Hitler period, which still remain deeply embedded in the political and social fabric of that country.

U.S. military and intelligence sources have also reported that, during the month of June, three American and one French naval aircraft carrier groups will be converging on Indian Ocean and Persian Gulf waters near Iran. Thus, military assets will be in place, during that time frame, to launch a short-notice attack, ostensibly in “retaliation” for terrorist actions which would be linked to the Tehran regime.

LaRouche cited the growing turbulence in the international financial system as a further motive for such Synarchist circles to act now, to spread chaos throughout much of the

planet—just as they did in similar financial collapse conditions during the 1930s. Two leading Synarchist figures with strong ties to the Bush-Cheney Administration, George Shultz and Felix Rohatyn, were singled out by LaRouche in his warnings. Shultz, the political godfather of the Bush-



The 282-page Special Report published by Lyndon LaRouche’s political campaign in June 2004, documented the ties of the countergangs to the same European Synarchist financial circles who financed the Mussolini, Hitler, Franco, and Vichy fascist organizations during the 1922-1945 period, and whose heirs are today involved in promoting a new international fascist apparatus.

Cheney Administration, and Rohatyn, have teamed up in recent years to promote an overhaul of U.S. national security, to an imperial model of preventive war, and the outsourcing of many vital military and national security functions, to so-called Private Military Corporations (PMCs).

LaRouche declared, "I know the desperate state of mind among the Shultz, Rohatyn, Cheney circles in Washington. I know, as do others, that they are seeking the first pretext for a preventive, unwarranted strike against Iran. The confluence of events in June represents the kind of opportunity that, I fear, they will not be willing to pass up. Therefore, I would be remiss were I not to speak out publicly at this moment, warning that these madmen may be contemplating actions that would throw the entire planet into chaos and conflict—at precisely the moment that we need leadership from a combination of sovereign nation-states, working in concert to bring order and prosperity to a world sinking rapidly into a new dark age."

LaRouche continued: "Let me be blunt, perhaps to the point of ruffling some Capitol Hill feathers. There is not a government in the world today, including Iran, that has any interest in disrupting the World Cup Soccer tournament in Germany, through some kind of asymmetric warfare action. However, outside of government, there is a fifth-column apparatus, known as the Synarchist International, associated with the financing of the interwar and World War II-era fascist regimes, which has both the capacity and intent to carry out precisely such a terrorist disruption of the World Cup.

"One is drawn to the parallel," LaRouche continued, "with the Nazi invasion of France in 1940. Contrary to most historical accounts, the cause of the Nazi overrun of France was not the failure of the Maginot Line defenses. The Maginot Line, and similar defenses held against the Hapsburg invaders during the 18th Century. The cause of the 1940 fall of France was the presence, within France, of a Synarchist fifth column, associated with the Lazard-sponsored Banque Worms circles.

"The security operations for the World Cup would be technically adequate and competent if the threats were coming exclusively from domestic sources, or even agencies like those behind the infamous 1972 Munich Olympics attacks. However, those capabilities are not geared to dealing with a fifth-column operation, of the sort being contemplated by Shultz, Rohatyn, Cheney, and their European Synarchist allies. No conventional defense is adequate to stopping that kind of assault.

"Again, speaking bluntly," LaRouche concluded, "the gravest danger to the world today comes from the Synarchist International—including Shultz, Cheney, and Rohatyn. They are seeking a Reichstag Fire or 9/11-type incident to give them the psychological leverage to launch their pre-planned attack on Iran. That can only be prevented by placing a very powerful public spotlight on their schemes, in advance. That is why I am speaking out today."

Who Is Planning World Soccer Terror?

by Claudio Celani

A potential major terrorist attack in the context of the World Soccer Championship in Germany for months has been the primary issue of concern of German and European police authorities. As the June 9 opening day of the games nears, a new factor has been added to the conventional scenarios: the announced mobilization of neo-Nazi hooligans in support of Iran, as Iran President Mahmoud Ahmadinejad made it known that he would like to be present at the games played by his national team.

The introduction of the Iran element makes it obvious for every serious political strategist, that what we are dealing with here, has to do with strategies for world government being cooked up, not in basement hideouts of deranged soccer hooligans, but in sky-high offices in Washington and London. In fact, whereas police forces in Germany are looking for potential terrorist threats at ground level, they should raise their eyes to those who, in this moment, would want a major terrorist incident, for the purpose of building a world dictatorship.

The intersection of two events, the World Cup championship and the arrival in mid-June of the one French and three U.S. naval carrier groups in the Indian Ocean and Persian Gulf, near Iran, provide the muscle for attempting a global coup by the Cheney crowd.

Neo-Nazi Mobilization

The World Cup Soccer tournament will last from June 9 to July 9, during which period there will be 62 matches in 14 German cities, culminating with the finals game in Berlin. This is perhaps the largest sports event in the world, which takes place every fourth year. It is calculated that millions of fans will travel to Germany, whereas 2 billion will watch it on TV throughout the world.

Although hooligan violence has become a rather "routine" matter on those occasions in which British, Dutch, German, Italian, Polish, and other radical fan groups come together in a competing national context, this time, a new dimension was added: The Iranian President announced plans to travel to Germany to watch the games involving the national team. This has offered the pretext to neo-Nazi groupings to announce demonstrations and marches in support of "our friend," the "anti-Semitic" Ahmadinejad. A demonstration has been announced for June 17 in Frankfurt, when Iran will play Portugal. In Leipzig, the right-wing NPD (National



Leaders of the resurgence of fascism: (from left) Adriano Tilgher of the Fronte Nazionale Sociale, Alessandra Mussolini of the Liberta d'Azione, Rafel Lopez-Diéguez of Alternativa Nacional, and Roberto Fiore of Forza Nuova. Forza Nuova through a sub-organization controls Italy's soccer fan clubs.

Democratic Party) will activate itself for the Iran-Angola match, and in Nuremberg for the Iran-Mexico game.

The NPD mobilization involves not only Iran: A march in Gelsenkirchen has been announced for June 10, to follow the match involving Poland. Polish hooligans are notoriously among the most violent on the soccer scene. The police have prohibited the demonstration.

The Italians have announced a new organization, called "Ultras Italia," which popped up first in 2002, and collects hooligans from the most active, neo-Nazi-dominated fan groupings throughout the country. Italian hooligans have announced special effects for the Italy-U.S.A match, on June 17, in Kaiserslautern.

The picture will be filled out by the other main actors on the scene: 20,000 British hooligans will arrive in Frankfurt June 10 for the England-Paraguay match, for which only 10,000 have tickets. Also, the Dutch hooligans, with Nazi-like orange helmets, the national color, are expected.

Although there will be plenty of opportunity for "spontaneous" violence, actions have seemingly been planned by the groups, in a secret meeting in mid-March, at Hitler's birthplace, the town of Braunau, in Austria.

'Secret' Planning Meeting

According to a report published by Italian journalist Paolo Berizzi, in *La Repubblica* of March 20, about 70 members of neo-Nazi-dominated hooligan organizations met in Braunau to plan violent actions during the World Cup tournament in Germany. "Thus we will set the World Cup on fire," was the headline of the report, quoting from a document, reportedly signed by the participants, which sets the target of disrupting



Franco-era fascist Blas Piñar, here in a fascist salute in 1978. The European National Front, begun in Spain in November 2002 under the initiative of Piñar and Italian neo-fascist leader Roberto Fiore, controls the so-called hooligan organizations.

public order through actions aimed against Islamic and other representatives from "the South of the world."

How does it happen that a journalist is invited to a secret meeting to plan terrorist actions? Journalist Berizzi claims he infiltrated the meeting as a member of the Italian hooligan scene. Whatever the truth is, public media attention is useful to the string-pullers, if their aim is to pull off something sensational, and to blame it on Iran, furthering the strategic aims mentioned earlier. In any case, the meeting was confirmed by German intelligence, according to a report in *Tageszeitung* March 30.

Now, let's look at this from a higher standpoint: Hooligan organizations are controlled by neo-Nazi groupings, which belong to an umbrella organization, the "European National Front," begun in Spain in November 2002, under the joint initiative of the old Franco-era Minister Blas Piñar and Italian neo-fascist leader Roberto Fiore. The formation of the ENF was completed in 2004, and includes, among others: Blas Piñar's Frente Español, Fiore's Forza Nuova, the French Renouveau Français, the German NPD, and the Polish Narodowe Odrodzenie Polski (NOP, National Rebirth of Poland).

The control of these organizations over radical hooligan teams is well documented. In the case of Forza Nuova, the fan clubs of both soccer clubs, Roma and Lazio, are organized in a network of radical right-wing groups, controlled by the "Black Thing" (La Cosa Nera), the new neo-fascist cartel formed by Roberto Fiore, Alessandra Mussolini, Adriano Tilgher, and Luca Romagnoli.

As *EIR* has previously reported, Roberto Fiore is a veteran of the Strategy of Tension, as he was leader of an organization called Terza Posizione, considered to be the political arm of the terrorist NAR (Nuclei Armati Rivoluzionari), responsible for several terrorist acts, including the 1980 Bologna train-station massacre.

Forza Nuova controls the Curva (soccer fan clubs)



The Bologna train station bombing in 1980 (shown here) and the Madrid train bombing in 2004 have common links to the Synarchist forces at the very top. Those investigating the terrorist threat at the World Soccer Championship today should go right to the top—the Synarchist International.

through a sub-organization called Base Autonoma, whose leaders have made a career in Forza Nuova. The leader of Base Autonoma is Fiore's brother-in-law, Giuliano Castellino. In turn, Base Autonoma moves through soccer-fan organizations, such as Tradizione e Distinzione (Rome) and Banda de Noantri (Lazio). Across such fan groups, an extremely violent wing has emerged, which has targeted especially the police. This wing is backed by a sort of legal support organization led by Prof. Paolo Signorelli, another figure familiar from the years of right-wing terrorism. Signorelli, now in his sixties, was indicted, and then acquitted, for his role as chief ideologue of the terrorist organization Ordine Nuovo.

Using a recent police law, which, in case of soccer riots, expands the *in flagrante* limit to 36 hours, police arrested the three Curva leaders who forced the interruption of the derby: Stefano Carriero; a neo-fascist member of Tradizione e Distinzione, Stefano Sordini, another neo-fascist leader of the Giovinezza group; and Roberto Morelli, from the AS Roma Ultras.

The next day, the three received a visit from Alessandra Mussolini, the granddaughter of the *Duce*, who pleaded their "innocence." And as soon as they appeared before the judge, they were freed." (For more information on this topic, see, "The Synarchist Resurgence Behind the Madrid Train Bombing of March 11, 2004," issued by LaRouche in 2004, available from *EIR*.)

As with the Italian scene, Polish hooligans are dominated

by the NOP. And when, in reporting on the Braunau meeting, journalist Berizzi described the Spanish representative—a member of the SUR (The Francoist Fans of Real Madrid)—one is reminded that one of the suspected "Islamic terrorists" arrested in the case of the Madrid bombing attacks, Mohammed Bekkali, was a fanatical partisan of the Real Madrid soccer club.

The String-Pullers

In the meantime, this author has learned that prosecutors in Rome are conducting an investigation using material published by *EIR* before and after the Madrid bombing attack, March 11, 2004. It consists of warnings issued in 2003 by Lyndon LaRouche against the possibility of a 9/11-like atrocity, in which one possible source would be "defined by the cover recently assembled under Spain's leading fascist figure, Blas Piñar. Assess the potential for a relevant type of 9/11-like attack on the U.S. which would be traceable to Blas Piñar, as 9/11 was traced to Arabs."

"The most significant aspect," LaRouche continued, "of the new international regroupment under the former Franco official Blas Piñar is that it is muscular, but of an intrinsically mayfly kind of political-operational potential. It is composed, inclusively, and significantly, of small but muscular groups representing a continuation of those which were used as cover for international terrorist operations in 1970s Europe. . . . Muscular mayfly associations of international Synarchist profiles are, by their very existence, among the most likely sources of international terrorist actions; otherwise, they, like mayflies, die soon."

With "Synarchism," LaRouche means a specific historical phenomenon, identifying a nexus of financial and political interests that promoted fascist and Nazi regimes in Europe, including the Franco regime in Spain and the Codreanu government in Romania. Historically, these interests are associated with the Banque Worms in France, and the Lazard financial group. It is possible to draw a line of continuity, from the standpoint of policies—and in some cases, of personnel—from the 1930s synarchist networks to the present. Today, the Synarchists are represented by people like Dick Cheney and, at a higher level, George Shultz and Felix Rohatyn in the United States.

How do we deal with the terrorist threat? LaRouche asked in the 2003 paper. "Use intelligent political methods; expose the Synarchist International. Let people learn from the 1920-1945 wars in Europe, and Nazi subversion of South and Central America, how President Franklin Roosevelt and his leadership dealt politically with such threats. Expose Synarchism for what it actually is. Strip it of toleration by governments and churches, and send quietly waiting counterintelligence ambushes into position, to catch them if they try to move in relevant directions."

Those guidelines are the more valid today, if we want to stop Cheney's plans for world dictatorship.

LaRouche Warned vs. Cheney Terror Threat

by Dean Andromidas

Lyndon LaRouche has issued a warning that Vice President Dick Cheney and his Synarchist financier backers, including George Shultz and Felix Rohatyn, intend to launch a global coup by exploiting the interaction of two events: The World Cup Soccer tournament in Germany, beginning June 9, and the arrival of U.S. and French naval carrier groups, also during June-July, in preparation for an attack on Iran.

The motivation for a terror attack of global dimensions, coupled with a military strike in Iran, did not gestate only in the last months. LaRouche identified this threat in the Summer of 2003, when it was clear that the disastrous course of the war in Iraq, the revelations of Dick Cheney's role in the "yellowcake" affair, and the unravelling of the world financial system, would trigger a dangerous response from Cheney and his Synarchist controllers.

On Aug. 9, 2003, LaRouche issued a memorandum under the headline "When Cheney Spoke of Terrorism: Which Terrorists, Dick?" in response to a July 24, 2003 speech delivered by the Vice President at the American Enterprise Institute in Washington, D.C., promoting the Administration's preventive war doctrine. Cheney virtually promised that the United States would again be subject to a catastrophic attack on the level of that of 9/11.

This memorandum became the cover story of the August 22, 2003 *EIR*: "LaRouche Warns: Cheney Gang Needs Another 9/11." LaRouche pointed to the terror capability of the neo-fascists centered around Spain's ex-Franco official Blas Piñar, and the network whose roots lay in the Synarchist-controlled Fascist and Nazi organizations of the 1920s that brought Mussolini and Hitler to power. The organizations now suspect in the World Cup championship were detailed in that report, including Forza Nuova, National Democratic Party of Germany, and the British National Party.

Although there was no 9/11-type attack in the United States, on March 11, 2004, Madrid was rocked by its worst terror attack in history, when a series of bombs placed on commuter trains killed over 190 people. On March 19, LaRouche issued a statement declaring, "I warned of precisely this kind of development in August of last year, following statements issued by Vice President Dick Cheney, in which he referenced new terrorist threats to the United States. I stated at the time that it was crucial to look at the Spanish-

speaking side of the international Synarchist apparatus. I pointed to Italian, French, Spanish, and South and Central American networks." (*EIR* March 19, 2004, "Madrid Bombs: 'Don't Make a Furor, Get the Intelligence.'")

Over the course of 2004, under LaRouche's direction, *EIR* published a series of in-depth dossiers on the international Synarchist terror capabilities both past and present, including a study: "Strategy of Tension: The Case of Italy" (*EIR*, April 9 and 20). Among such other studies, were those covering the Synarchist operations in Ibero-America ("The Nazi-Instigated National Synarchist Union of Mexico: What It Means for Today," *EIR* July 9 and 16, 2004).

In March of that same year, LaRouche, travelled to Mexico for a series of speaking engagements, where he exposed the role of the Synarchists in sabotaging the economic development of Ibero-American nations ("LaRouche Takes Battle To Defeat Synarchism to Mexico"; *EIR*, April 2, 2004). In June, the LaRouche in 2004 Presidential campaign released a 282-page dossier, "The Synarchist Resurgence Behind the Madrid Train Bombing of March 11, 2004."

In October 2004, LaRouche again issued a warning of a fascist revival in Europe and the United States, centered on this same Synarchist apparatus ("LaRouche Warns of Nazi Reactivation in Europe and the Americas"; *EIR*, Oct. 29, 2004). The warning was issued in response to the announcement of an electoral alliance between the fascist National Democratic Party (NPD) and the German Peoples Union (DVU) in the state elections in Saxony.

After the disastrous reelection of George W. Bush in 2004, LaRouche led a demoralized Democratic Party to win a fight against the Bush-Cheney's attempt to bail out the collapsing financial system by privatizing Social Security. LaRouche exposed this as a Synarchist bankers' plot, led by George Shultz and Felix Rohatyn. An article commissioned under LaRouche's direction, entitled "Nazis, Operation Condor, and Bush's Privatization Plan" (*EIR*, March 25, 2005), exposed the true nature of the privatized social security plan of Chile, which was touted as the model for Bush's plan. The article detailed the personal role of Shultz and Rohatyn in organizing the bloody Chilean coup led by Gen. Augusto Pinochet, which was the prelude to that privatization. "Operation Condor" was carried out by the same Synarchist-fascist networks associated with the Blas Piñar apparatus.

In the three years following LaRouche's warning of August 2003, the Iraq war has become a quagmire worse than Vietnam; Cheney is now the focus of a criminal investigation involving his former chief of staff Lewis Libby; and the financial collapse has accelerated into a hyperinflationary spiral that promises to bring down the entire system over the months ahead. As LaRouche warns in his latest statement, "The confluence of events in June represents the kind of opportunity that, I fear, they will not be willing to pass up."

LYM Brings Reality To Mexican Elections

by Dennis Small

The LaRouche Youth Movement (LYM) of Mexico is sponsoring a public event on May 31 at the Legislative Assembly of Mexico City, which may turn out to be the most substantive discussion of real policy issues of the entire Mexican Presidential election season, to date. Billed as a “Youth Dialogue” on the subject of “Mexico’s Next 50 Years: What Is *Not* Being Discussed in the Presidential Elections,” the event will hear from LYM speakers, as well as from representatives of the youth movements of the PRI, the PRD, and the PAN—the country’s three main political parties—who have agreed to participate in the policy dialogue.

An article, published in the May 12 issue of the LYM’s new Spanish-language Internet weekly *Prometeo*, which is now circulating across Ibero-America (www.wlym.com/>spanish), discussed the lack of serious policy debate among the five Presidential candidates in the following terms:

“The first TV debate underscored the vacuousness of the campaign to date. None of the four participants in the debate [PRD candidate Andrés Manuel López Obrador refused to participate—ed.] addressed any issue of importance for the nation; not one word was mentioned about the storm which threatens the international financial system and which could wipe out Mexico altogether. Nor was there a discussion of the need to modernize the energy sector and bring nuclear power on line, which requires the modernization of the whole economy. Nor has López Obrador had anything to say on these subjects, either.”

‘Five Empty Heads’

The problem was not the “one empty chair” at the debate, as the media argued, referring to López Obrador’s absence. “Don’t worry about the empty chair,” the LYM stated. “It’s the five empty heads that are the problem!”

In the month since that TV debate, and as the July 2 Presidential election draws closer, the substantive issues are still not being discussed by the candidates, while the political environment in Mexico is becoming increasingly tense and polarized between PAN candidate Felipe Calderón—a died-in-the-wool synarchist who is run by the same apparatus as U.S. Vice President Dick Cheney—and the PRD’s López Obrador, the populist former Mayor of Mexico City. Calderón and López Obrador are in a statistical tie in the polls at

this point. The PRI’s candidate is running a distant third, and that party is beginning to fissure, with one faction (associated with former Mexican President and Wall Street toady, Carlos Salinas de Gortari) moving to support Calderón, while another backs López Obrador.

For example, nationalist PRI Sen. Manuel Bartlett—who has played a leading role over the last six years blocking the international financial oligarchy’s efforts to privatize the state oil company Pemex—announced on May 24 that he will vote for López Obrador, and he called on members of his party to do the same, because the PRI candidate stands no chance of winning the race: “With our candidate in third place, people shouldn’t waste their vote and should vote against the conservative right,” Bartlett stated.

International Videoconference Scheduled

In addition to their May 31 Youth Dialogue, the Mexico LYM is organizing a major programmatic intervention during this electoral period, through a June 15 international videoconference on the subject of “The Role of Mexican Oil in the Transition to Nuclear Energy,” with simultaneous meetings to be held in Mexico City and Buenos Aires, Argentina, which will be linked by audio-video hook-up. Picking up on a proposal made by Lyndon LaRouche, during his late March visit to Monterrey, Mexico, the LYM conference brochure states:

“The country has no future, unless it immediately launches a program to build great infrastructure development projects, which will physically integrate the national territory, and generate thousands of productive jobs to stem the human hemorrhage called emigration . . . and be the scientific and technological driver of national economic reconstruction. . . .

“In terms of nuclear energy, the LaRouche movement in Mexico proposes the construction of 20 nuclear plants, which was the goal of the nuclear program in the second half of the 1970s, under the government of José López Portillo.”

The LYM’s oil-for-nuclear conference will feature presentations on “The LaRouche Plan for the Transition to a High-Technology New Economic Order and the Reconversion of the U.S. Auto Sector for Infrastructure and Nuclear Energy”; a report from Bolivia on “Bolivia’s Nationalization of Hydrocarbons and the Development of Regional Infrastructure”; and a proposal on “Mexico: A Program of Oil-for-Technology.”

The LYM has also organized a feeder-event on the same subject two days earlier, which is being sponsored by the Engineering Department of the National Autonomous University of Mexico (UNAM), under the heading, “The Energy Situation in Mexico and the World.” In addition to speakers from the Mexico LYM and LaRouche representatives in the United States, the symposium will feature presentations by South American diplomats posted to Mexico, Mexican engineers and oil industry specialists, and others.

U.S.-Russia Chill Felt At World Russian Forum

by William C. Jones

A meeting of the World Russian Forum in a Senate building in Washington on May 16 demonstrated the impact in leading Russian circles, of the latest round of attempted Russia-bashing by an ever more disoriented Vice President Dick Cheney. The belligerent posture of the Bush Administration, and Cheney's speech in particular, had senior Russian representatives talking in terms of "the lowest point in 20 years" in U.S.-Russian relations, even though the conference took place less than a week after President Vladimir Putin in his State of the Federation message invoked the very best in past U.S. policies, by quoting Franklin Delano Roosevelt on the resolve to overcome an economic depression. That contrast only serves to underscore what poison the neo-conservative dogmas and geopolitics of Cheney & Co. represent.

The World Russian Forum is an annual gathering of "friends" of Russia, which generally brings together Russian political figures and members of the U.S. Congress. While the Forum does attract a number of well-meaning individuals from both sides, it is also frequented by those who believe

that "engagement" is better than "containment" for keeping Russia in line.

The Bush Administration, however, has veered in a different direction, as expressed by Cheney in Vilnius, where he accused Russia of "intimidating and blackmailing" its neighbors, using their energy supplies to do so. Cheney followed up with a trip to Kazakstan, where he used his personal diplomacy for a blatant attempt to bring Kazakstan, a key country in Russia's energy and related Eurasian security policies, into oil and gas deals detrimental to Russian interests. While Cheney's Kazakstan gambit evidently achieved no decisive success—Putin went on to meet Kazakstan's President Nursultan Nazarbayev on May 20 and arrange two major Russia-Kazakstan oil and gas deals—the gist of Cheney's mission was not lost on the Russian leader.

In his May 10 address, the same speech in which he quoted FDR, Putin alluded to the U.S.A. as a hungry wolf. "The wolf knows whom to eat, as the saying goes," Putin said, "he knows whom to eat and is not about to listen to anyone, it seems."

"Putin's reactions to the Cheney comments were rather gentle," commented Vyacheslav Nikonov, one of the speakers at the Forum. "It could have been worse. He could have responded with deeds. Or he could have said nothing at all, which would have been worse since it would have meant the end of U.S.-Russian cooperation." Nikonov is not just anybody. He is the chairman of the Committee on Foreign Relations of the Public Chamber, an organization set up last year by President Putin and headed up by Yevgeni Velikhov, the Russian physicist who directs the Kurchatov nuclear research institute, to analyze and monitor legislative and executive branch activities at all levels. Nikonov is the grandson of long-time Soviet Foreign Minister Vyacheslav Molotov.

Most of the speakers at the Forum clearly indicated that the present crisis in U.S.-Russia relations occurred in spite of the attempts by the Russian



Presidential Press and Information Office

Russian President Vladimir Putin (second from right), at the Russia-European Union Summit in Sochi, May 25. In his May 10 State of the Russian Federation address, he alluded to the United States: "The wolf knows whom to eat, and is not about to listen to anyone, it seems."

President to keep the relationship on an even keel. Sergei Markov, deputy chairman of the Committee on Public Diplomacy, noted the contrast between Putin's popularity and the low public standing of Bush, not to mention the even less popular Cheney. "Putin's goal is to modernize and Westernize Russia," Markov said. "He believes that Russia should become a great power."

Minefields Ahead

"U.S.-Russian relations are at the lowest point in 20 years," Nikonov said, but he clearly indicated that the Russian government wasn't going to abjectly accept any blatant humiliation from the Bush Administration in order to improve that relationship.

"Russia believes that we are living in a multi-polar world," Nikonov continued. "Russia represents one of those poles. Russia considers herself a Euro-Pacific superpower, an energy superpower, a nuclear superpower, a space superpower, and a national resources superpower," Nikonov said. "Although Russia is not in good shape, it is in the best shape ever. It is also in the best mood ever; 48% of the Russian people believe that Russia is heading in the right direction"—again, a clear contrast with the U.S. public, which thinks the Bush policy is moving the country in absolutely the wrong direction.

"Russia is a sovereign democracy and believes it is the right of each state to be sovereign in accordance with the rules of international law," Nikonov said. He also played down the refusal by both the European Union and by NATO to consider Russia as a member, saying that these organizations considered Russia "too big and too Russian" for them. With regard to NATO, Nikonov indicated that Moscow would not be interested in membership, even if it were offered, because Russia "wants a free hand in strategic matters." He warned, however, that Russia would not look blindly at any attempt by outside powers to organize its neighbors against it. "Nor will we permit any neighboring countries to drift into military alliances that may be aimed against Russia," Nikonov said, a reference to invitations, anticipated at the next NATO Summit, for Commonwealth of Independent States member nations like Georgia and Ukraine to join NATO, instead.

Nikonov warned that there would also be attempts to derail the upcoming G-8 summit meeting, which Russia will host in St. Petersburg July 15-17. He said that he had confronted Senator John McCain (R.-Ariz.) and former Democratic Sen. John Edwards at a late-April energy forum in Brussels, regarding their comments on Russia. McCain has said that Russia should not be chairing the G-8 because it was not "democratic." Edwards and Republican Jack Kemp headed the Council on Foreign Relations panel that produced the "Russia's Wrong Direction" report, released in March. Nikonov had wondered what they wanted to achieve by disengaging from Russia. While Putin has chosen the issue of "energy security" as the major theme of the gathering, there will no doubt be attempts by the Cheney-Rumsfeld crowd to launch

attacks against Russian "gas imperialism" and to turn the meeting into an attack on Russia's lack of "democracy." "Many people expect that there will be a scandal there," Nikonov said.

To return to Putin's "wolf" analogy, this particular specimen may be seriously wounded, with the Iraq policy verging on civil war, and the "economic prosperity hoax" now threatening to bring down world markets. But as any hunter knows, a hungry wolf, when wounded, can become a most unpredictable and dangerous creature.

A Moscow Phase Shift: Youth Are the Future

by Jonathan Tennenbaum

My visit to Moscow on May 13-20 confirmed for me the signal contained in President Putin's State of the Federation message of May 10, that Russia is indeed going through an important political and cultural phase change, with strategic implications for the world as a whole. Russia is reacting to the international crisis, and to the insanity of the dying Cheney-Bush Administration, in a manner that is distinctly Russian, but which—not accidentally!—echoes the mass organizing process led by LaRouche and his movement, for a revival of the Franklin Roosevelt tradition in the United States.

As I quickly learned, Putin's own direct quoting of Roosevelt, and other features of his address, so markedly different from his previous ones, raised enormous interest inside the country and gave rise to a great deal of speculation about what the future might bring. The present system of nominally "democratic" political parties, mostly artificial creations of the Boris Yeltsin period (the 1990s), with little real basis in the country, is now nearly entirely discredited.

Some people read Putin's speech in part as a signal that he, despite declarations to the contrary, might seek an extra, third term in office—one that would take the form of a "crisis Presidency" under conditions of economic emergency. Putin's reference to Roosevelt would launch a process of preparing the population and institutions for such a course of events.

Others were quick to point out that, although Putin appears to have signaled the intention to effect a "Rooseveltian" turn in economic policy, he has taken no visible steps, so far, to make corresponding changes in his government. The government is still dominated by "liberal reformers" such as Economics Minister German Gref and Finance Minister Alexei Kudrin, whose economic policies are exactly the opposite of those implied by Putin's speech. Such contradictions are nothing new, of course, and reflect a situation, in which the President's maneuvering room is still limited. Among



Aerospace engineer A.N. Tupolev (1888-1972) was the head of the Tupolev Design Bureau, which produced more than 100 designs. His innovations led the Soviet industry in the development of long-range, high-speed flight. Shown is the Tupolev ANT-20, the largest airplane of the 1930s. With the Tupolev generation of Great Constructors dying out, Russia is now threatened with a “plunge into mediocrity.”

other things, he is operating in the environment of intense power struggles within and around the Kremlin Administration, connected with the influence of the so-called oligarchs and international financial groups associated with them. Putin holds his cards very close to his chest, keeping both friend and foe guessing at what his full intentions really are.

State Interventions

Speculation and contradictions aside, though, Putin’s Rooseveltian declaration does correlate with growing momentum in the direction of state interventions into the economy. These have already drawn howls of pain from liberal commentators.

One area of strategic significance is the nuclear energy sector, in which (as I was informed by relevant Russian experts) major new projects are not only planned, but are already receiving very substantial financial resources. These include the construction, in Russia, of a new generation of nuclear breeder reactors, and continued promotion of nuclear reactor exports.

Recent moves to consolidate the aircraft and aerospace industries into a national consortium, fall into the same category. Alongside Putin’s much-commented playing of the oil-gas “energy card,” there are significant developments in the area of strategic minerals, including the identification of four “super-rich” metal deposits, mostly in the remote North of the country, with the potential to multiply the total world reserves of key strategic metals. Given their size, and their location in areas that presently have little or no infrastructure, these deposits belong to the category referred to in Soviet times as “city-generating”—meaning that their exploitation

would necessitate and give rise to new cities and to very large infrastructure projects on a national scale. In this context, new attention is being given in Russia, to LaRouche’s proposal for the “Eurasian Land-Bridge” system of transcontinental infrastructure corridors, and to his conception of the “Noösphere Economy.”

Focus on the Younger Generation

A most notable feature of Putin’s speech was his call for reversing the demographic decline of Russia, and, by implication, upgrading the importance of the younger generation for the future of the country. This intersects a significant and sometimes very heated debate about the future of education, growing resistance against the ongoing liberal “deconstruction” of the highly-developed educational system inherited from the Soviet period, and attempts to reverse that trend and to recover the capabilities that made the So-

viet Union a scientific superpower.

Such attempts are having to come to grips with the paradox, that, despite the extraordinary scientific and technological accomplishments of the Soviet era, the system of education, research, and development was extremely rigid, hierarchical, and in many ways spectacularly wasteful. Particularly from the 1970s on, the higher educational institutions of the Soviet Union tended to produce narrowly focussed specialists—people who were highly skilled in their specific professional “niches,” but were unable to function independently in a broader social and economic context. Thus, the accomplishments of the Soviet era depended on the leadership of a relatively small number of brilliant individuals, exemplified by great scientists such as Vladimir Vernadsky, and by the so-called General Constructors at the USSR’s legendary design bureaus (Korolyov, Tupolev, Antonov, Rubin, et al.). In many cases, as typified by Lyndon LaRouche’s friend, the late Pobisk Kuznetsov, such people were virtual dissidents, relative to the Communist Party “establishment” of the USSR, and in nearly every case they worked in military-related areas.

Now, with most individuals of that type either already gone, or dying out, Russia is threatened with a plunge into mediocrity. A particularly acute challenge, in view of the “atomization” of Russian society and of its professional class in particular, is how to generate the kind of coherent deliberative process among people, which is key to the success of any major scientific, industrial, and social undertaking, without having to resort to the dictatorial methods of the past. Everyone recognizes that the key to the solution lies in the younger generation, and in a breakthrough in education.



EIRNS/Helga Zepp-LaRouche

Lyndon LaRouche with students at the Moscow Academy of Finance and Law, where he spoke in April 2004. The solution to the current Russian situation is a breakthrough in education, Tennebaum says.

Students Involved in Planning

Indicative of the search for a new approach to this problem was a three-day workshop, held under the auspices of the Education Department of the City of Moscow, the Directorate of Education of the Northwest Region of Moscow, and the Scientific Research Institute on Innovative Strategies for the Development of General Education, in which I had the opportunity to take an active part. The task of the workshop, was to elaborate a special experimental program, for involving high-school-age youth directly in the work of conceiving and planning new, high-technology industries to be built up in the Moscow region. Notably, the organizers of the program stipulated that the projects, to be proposed and worked out by the youth in cooperation with expert groups of scientists and entrepreneurs, must be based on the industrial application of new scientific breakthroughs.

The workshop, led by the noted Moscow pedagogue and methodologist Nina Gromyko, brought together about 50 teachers, scientists, entrepreneurs, representatives of the Moscow city and regional governments, leaders of educational organizations, and high-school-age students. One of the concrete results was the planning of a Youth Exposition, to be held in March 2007, which will include expert jury selection and presentation of the best projects. The main fields of concentration for the projects will be in the domains of nuclear energy and hydrogen-based technologies, the creation of new industry for microelectronics, and advanced technologies for the large-scale recycling of materials.

I was greatly impressed by the very sharp young people who attended the workshop, coming from a network of experimental schools set up by the City of Moscow under Mayor

Yuri Luzhkov. Among them were students from a newly created School of General Constructors, whose purpose is to train young people in the quality of project-oriented leadership thinking that characterized the great General Constructors of the Soviet period. With their independence and “sky-is-the-limit” optimism, these young people reminded me very much of the members of the LaRouche Youth Movement. After my own presentation to the workshop on key areas for scientific and technological revolutions in the coming decades, I was swamped with questions on everything under the sun, and not least of all about LaRouche, whose name is nearly a household word in Russia.

One of the high points of the workshop, for me, was a new video film, targeted to Russian youth, and presenting an exciting perspective for the development of Russia’s vast territory through revolutionary technologies. For example: a novel high-speed transport system running on suspended cables; revolutionary aircraft designs such as the ekranoplane and

the famous “flying saucer of Saratov”; and new methods for super-rapid construction of houses and other infrastructure for the settlement of remote areas of the country. The film highlighted Russia’s future role as the center of world flows of goods, showing a transport corridor map very similar to the extended version of the Eurasian Land-Bridge, with lines running from Europe to China and India, and through northern Siberia over the Bering Strait into North America.



EIRNS/Christopher Lewis

Moscow pedagogue Nina Gromyko, who organized the three-day youth workshop that Tennenbaum attended. The participants included students from a new School of General Constructors, set up to train young people in the project-oriented leadership thinking that characterized the great General Constructors of the Soviet period.

A Russian Dialogue On LaRouche's Ideas

Jonathan Tennenbaum, science advisor to U.S. statesman Lyndon LaRouche, made two media appearances in Russia May 18 and 19, in which he addressed the current economic and strategic crisis, and the pathway LaRouche has charted into the future. The May 18 interview was aired on the "Govorit Moskva" (Moscow Speaking) radio program, on a Moscow-area station that reaches an area with a population of 15 million, and has many thousands of listeners. Speaking in Russian, Tennenbaum answered questions from program host Serafim Melentyev.

The broadcast began with Melentyev reading aloud the quotation from Franklin Delano Roosevelt, with which Russian President Vladimir Putin had keynoted his May 10 "Message to the Federal Assembly," and asking Tennenbaum why Putin had chosen precisely this excerpt from precisely this President. Tennenbaum replied that he had not had an opportunity to ask President Putin directly, but that "the policies of Roosevelt are very timely today—not just for Russia, but for the world—because the global economy is so unstable." The interview touched on the state of the U.S. auto industry, the global financial crisis, Vice President Dick Cheney and the neo-cons as a threat to the United States, and the principles and activity of Roosevelt and LaRouche.

The next day, Tennenbaum followed up with a 40-minute webcast interview on the www.km.ru site. He fielded 16 questions e-mailed in on a range of subjects, which were read aloud. Some questions came in prior to the webcast, based on an announcement posted the day before, which identified Tennenbaum as advisor to LaRouche, "who proposes a policy of reasonable protectionism, to be implemented by sovereign nation-states, based on the ideas of physical and institutional economy, which can be traced back to Gottfried Leibniz and are represented in the American School of Political Economy—Alexander Hamilton, Friedrich List, and Henry Carey."

Here we present excerpts from a translation of the transcript of the Russian-language interview, which provides an interesting view of the seriousness with which these Russian webcast participants approach current political and scientific issues.

Q: What will they think up next in economics? How can economics be physical? America is a demonstration for the entire world, of what an economy should be—a genuine econ-

omy. Do you think the American economy is a model for everybody?

Tennenbaum: I would say that we are currently experiencing a crisis of economic models. There was a crisis of the so-called socialist model, and now there is a crisis of the so-called free-market model. What we have is a very important transitional process. Lyndon LaRouche, and I am an advisor of LaRouche, the former U.S. Presidential candidate within the Democratic Party, created a new direction in economics: physical economy. This means promoting what was traditionally called the American System of political-economy.

That doesn't mean the system that currently prevails; because, unfortunately, there was a shift in America away from an industrial economy, from production, science, and so forth, towards a post-industrial economy and then a bubble economy. And now the crisis has arrived, and so the idea of physical economy becomes very important. Not only for the United States, but for the whole world, because most people on our planet live in poverty. There is a need to develop infrastructure, to provide a basis for humanity to survive, and—this is very important—there has to be a science-driver for this process.

Q: Does Mr. Tennenbaum think that there could be a situation where some country's—Russia's, for example—officially announced rejection of the standards of "democracy" and "human rights," dictated by the West, might be favorably received by, for example, the U.S. power elite? For example, if Russia were to adopt the development ideology, which would make it possible to solve the currently unsolvable global problems of mankind, and thus be able to overcome the world crisis?

Tennenbaum: So-called western democracy is a myth. You have the U.S. Constitution, which is a very important document, which I think was a breakthrough in the development of political culture. But that is clearly not so-called democracy; rather, it is a special type of republican system. Right now, there is a very important fight in the United States around the question of preserving the constitutional system. In fact, the Bush Administration, especially Cheney and some others, are attempting to get rid of the Constitution.

I think that each country and each people needs to find its own path, in dialogue with others. And I think that it may be very interesting for the Russian and American people to look at what ideas, historically, there are, for seeking a good pathway for the development of a political system. I think that Russia has to find its own path, independent of the so-called ideology of democracy. Of course, I support the participation of the population in making policy, but that is not what is called "pure democracy." Unfortunately, democracy is used as an ideology; as a slogan.

The most important thing for me—and, I think, for Russia—is the restoration of statehood. Without statehood, that is, you have globalization, under which national sovereignty



Courtesy of www.km.ru

Jonathan Tennenbaum on the km.ru website for the live webcast interview May 19.

is destroyed, and that is very bad. It is important to restore statehood, because without the state, there is no defense against economic pirates. What form of statehood, is another question.

Q: What will influence the future of mankind? The right result will come not from science, but from people returning to God, and life returning to His commandments. Christian history ended in America 200 years ago, and now financial welfare holds first place in America. Does America really have something new to offer Great Russia?

Tennenbaum: I think that many people in Russia are interested in the ideas of LaRouche, an original American thinker, who continues certain U.S. traditions, intellectual traditions, which are, unfortunately, not well known—including in America. The founders of the United States were intellectuals; they were great thinkers, like Benjamin Franklin, an outstanding, great scientist, or Hamilton, and others. LaRouche continues that line.

I do not see a contradiction between religion and science. Here you have to define what kind of science you mean; I believe that the Cosmos is a kind of book, in which it is possible to read the principles of Creation. Science is not some mere list of facts; rather, it can even be a way of coming closer to God. So, I do not throw religion out, and I would not say that science can replace religion. There is not a contradiction, and I think it is no accident, that almost all of the great scientists, who made discoveries, were believers.

Q: Is there a real possibility of attracting youth in the U.S.A. or Germany to get involved in politics? Russian youth have become really apolitical.

Tennenbaum: My colleague in the United States

[LaRouche] has something very interesting, a very important new phenomenon in politics, and that is the LaRouche Youth Movement (LYM). He created this movement. In the U.S.A., these young people are now very active in politics. They visit Congress, and organize discussions with Representatives and their aides. In California, in Los Angeles, you have the largest local organization of the Democratic Party, and our youth, I think eight or nine of them, are members of its Central Committee. This is a new generation, with new ideas.

The future is in the hands of the youth, and this means a revitalization of political culture in the United States. The LYM is also present in Germany, France, Denmark, and we shall see—I think that here, in Russia, there is also interest. It is very important for young people to take part. We have to look for opportunities.

Q: What is your view of nuclear power? Should nuclear power plants exist? They continue to be built, although doctors and ecologists tell us that thousands of people died after Chernobyl, though not immediately after the explosion.

Tennenbaum: Nuclear power is like other technologies. It's like driving a car. You have to drive it well! The power plant at Chernobyl was not so good. Not that it was bad, per se, but I think Russia has more reliable technologies, and every technology must be constantly improved.

But Vernadsky was right, for example, when he said that in the transition to a Noösphere economy, nuclear energy should play a very important role. And we can see that almost everywhere in the world, in China, in India—even in Europe and the United States, the inevitability of nuclear power is being discussed. So I think that the question is not whether nuclear power is good or bad; the question is how to develop this marvelous opportunity, this energy source, in the best way. Because oil and gas cannot be used infinitely. We have to create hydrogen technologies, which are more clean. In Germany, for example, they have developed nuclear technology that is absolutely accident-proof. So, I think that nuclear energy can be developed in a good way.

Q: What do you think about global warming? Is major climate change on Earth possible in the near future, and how can scientists combat it?

Tennenbaum: I have doubts about the scientific foundation of many of these forecasts. I think that we have a poor scientific understanding of climate, but we do know that it is not only human activity that affects climate; climate cycles are connected with solar activity. It is clear that climate is a fluctuating system, in which changes are connected with human activity, or with natural causes from the Sun. It appears that the long-term development is going in the opposite direction; that it's going to get very cold. We are moving in the long-term cycles from a warm climate to a cold one.

The most important thing is to increase mankind's ability



Franklin D. Roosevelt Library



EIRNS/Stuart Lewis

President Franklin Roosevelt (above left), whom Russian President Putin quoted in his May 10 address, is important today because of his policies, based on the U.S. constitutional mandate to protect the general welfare. This is the opposite of the neo-conservative policies today, Tennenbaum said, which are typified at their worst by Vice President Cheney (above right).

to react to natural catastrophes and to natural changes and, perhaps, to changes that result from human activity as well.

Q: What do you think about Russian plans for manned flight to Mars? Why spend so much? Or, will there be some benefit for those of us who are alive today?

Tennenbaum: You know, when the United States achieved the Moon landing in 1969, it was very expensive, of course, but the project had a positive economic effect. Research was done that showed that for every dollar, invested in that project, the American economy got back between \$7 and \$10. This has to do with increasing the productivity of the economy.

And . . . maybe man is destined not only for the Earth, but also the Cosmos. There is such a school of thought in Russia: Russian Cosmism, Tsiolkovsky, and others. This is a certain world outlook, which says that there exists a “Philosophy of the Common Cause,” and that perhaps we, as people, have a mission in the Cosmos. This is LaRouche’s viewpoint—to fight for this. In any event, to have a science-driver, we need to set the missions on Earth, such as the development of infrastructure, technologies, etc., which can advance the development of new knowledge.

Q: Do you think that nuclear weapons will be used in a war against Iran, if it breaks out? President Bush has spoken about this.

Tennenbaum: This is very dangerous. And, indeed, Vice President Cheney, first and foremost, is looking for a pretext to use nuclear weapons. There are people in the U.S.A., unfor-

tunately, who want to frighten the world, to destabilize the world, and this is what the danger of an attack on Iran, with or without the use of nuclear weapons, has to do with. It is because the U.S. neo-conservatives are in trouble right now. They have become very unpopular, and their schemes aren’t working.

Iraq is a nightmare, there is serious resistance within the U.S. institutions—among diplomats, military men, the intelligence services, etc. They are now having difficulties, and they are looking for ways to distract attention from their problems and to change the rules of the game. Well, of course this would be a catastrophe of historic proportions, if there were such an attack.

I think that it is not a long-term strategy. It is a game, and it should be shut down. LaRouche and his LYM are working to get Cheney re-

moved from office, so that there would be a different administration in the United States.

Q: What is your forecast for the next U.S. Presidential elections? What will influence their outcome?

Tennenbaum: The important thing is the economic crisis in the United States. LaRouche and his movement are currently working very hard in the Democratic Party to save the U.S. automotive industry. As you know, major auto companies like Ford and GM are on the brink of bankruptcy. In effect, they are already bankrupt. And now, the possibly very short-term moment of decision has arrived: If the financial pirates, the hedge funds, etc., continue to rule, they will shut down almost the entire industry, meaning the loss of millions of jobs. Many areas of the United States will just die; we’ll lose one-third or half of the machine-building capacity of the country. It is a very hot issue.

LaRouche has come out with a proposal for the government to defend [the industry]. That is, the government will take emergency measures to reorganize this sector and retool it for other types of production, including capital goods for major infrastructure projects, rail projects, etc. I am saying this, because the United States is in a very difficult financial and economic situation. This will greatly influence the Congressional elections in November of this year, as well as the Presidential election. Therefore I am optimistic, the way I see it, for LaRouche’s ideas and this new direction for revitalizing the Democratic Party, and even part of the Republican Party. (There is a schism in the Republican Party between the neo-



EIRNS/Katherine Reid

The LaRouche Youth Movement in Los Angeles organizing at the first Immigration Rally, March 27. Tennenbaum responded to a question about the apathy of Russian youth, by describing how the LaRouche Youth Movement is shaking up U.S. politics, and is active in Europe and other countries. "And, we shall see—I think that here in Russia there is also interest," Tennenbaum said. "We have to look for opportunities."

conservatives and the traditional Republicans, who want a healthy economy).

I think a Democrat will become President. Who that will be, I don't know. In any event, I take an active approach to this question: How can we determine what the policy will be? And that includes the question of what the youth do.

Q: What do you think about the issues of rewriting history, particularly the role of the Soviet Union in defeating fascism? How can this phenomenon be resisted?

Tennenbaum: Obviously, the Soviet Union played a very important—the key role—in the victory over fascism, and I think that it is important that we were allies, Russia and the United States. It is interesting that, throughout the history of the United States, up until the Cold War, Russia and the United States were allies. And, naturally, it would be very bad to rewrite history in general, especially if we look at the enormous losses the Soviet Union experienced.

But it is also very important to see, that the threat of fascism has not disappeared. It exists today, in the United States, for example, but not only there. Fascism is not an American thing or a German thing. There are different models of fascism. But during periods of financial crisis there is a certain section of the financial oligarchy, the so-called Synarchy, which in the 1920s and 1930s, and again today, wants to shift over to some kind of fascist model. For that reason, the

question of history for me is connected with practical questions, like how to promote the healthy development of the country.

Q: The number of institutions of higher education in Russia is going to be cut significantly. What percentage of high-school graduates do you think ought to receive a higher education?

Tennenbaum: Cutting the number of institutions of higher education is kind of suicidal, since, in any event, Russia's future is with the development of science and technology, so they shouldn't be reduced. I think it is very important for all young people to be able to continue their education. There are very good traditions in Germany, which also influenced the development of education in Russia, and even in the Soviet Union. That was Humboldt, the great German scientist, who thought that education must not be subordinated to pragmatic concerns, that you need to educate the whole

person, to educate citizens, and not just have a technical education.

Q: Will there be some kind of warning signs of the crash of the dollar, and will the American financial system collapse in the near future?

Tennenbaum: The U.S. financial system is very close to collapse, and if the current economic and financial policy continues, I think that the crash is inevitable. The aggressive behavior of the Bush Administration is related to the financial situation, not only in the United States, but there has been globalization. Everything now is interconnected, so a crisis of the dollar will also hit Russia, China, etc.

LaRouche has repeatedly stated that there needs to be a financial reform, to create a new Bretton Woods system, a new global financial system, directed against free trade—so-called free trade—and in favor of fair trade. Free trade means the destruction of the national economies of all countries. We need a system with stable exchange rates, rather than floating rates. LaRouche has an important approach to the dollar's threatened collapse, and that is to organize large-scale government investment in the real economy of the United States. The intention to do this will stabilize the dollar. Of course, measures have to be taken against speculation, and we need re-regulation. . . .

This is a big political question, touching on the issue of

statehood. The U.S. Constitution says that the government is responsible for the general welfare. And if we have hedge funds, speculation by financial interests, which think that the world belongs to them, and I say, “No, it’s a question of the Constitution,” then, that’s a political question. I know that your President, in his recent message, referred to Roosevelt, and this was very interesting for me, because Roosevelt overcame the Great Depression. I think this is of great importance for the situation today.

Moderator: The question included a sub-question about warning signs of a crash of the dollar. . . .

Tennenbaum: It’s a situation like the motion of two trains, approaching each other. Their motion is relative. Right now, there is hyperinflation of raw materials prices: oil, gold, etc. . . . The dollar is really losing value, so maybe the crash of the dollar is already happening. It depends on what people do; if a political solution is found, or not.

LaRouche said recently, that if the current policy continues, there will likely be hyperinflation, which is a very unpleasant thing. It means not only a collapse of the dollar, but something like in 1923 in Germany, when even with many kilograms of bank notes you could not buy a loaf of bread. It is a very serious threat. And therefore, LaRouche is in a very active dialogue with Senators and experts in the United States and around the world, on organizing actions against this.

It has to do with the fact that certain financial circles are looking for a landing place, where they can get out of paper value and into real value. Hence, the sharp increase in raw materials prices, which, without a doubt, is connected with attempts by speculative interests to find a way to keep ruling after a crash.

Q: LaRouche is an old foe of Cheney. Is the Vice President of the United States really harming the country? Do Cheney and Bush completely control the Administration, or are there other forces?

Tennenbaum: There are other forces. Many people in Russia think the United States is monolithic, just as many people in the United States think that Russia is monolithic. In reality, there is an intense fight in the United States now. I mentioned the split in the Republican Party, and resistance from the military. The United States has a historical political system, which is not monolithic. There are real institutions. Even the Presidency, which is not the same thing as the President: it is a network of institutions, in which [various people] take part.

Even LaRouche, who was a “dissident” at one point—although you can’t really call him a “dissident,” because he takes part in the institutions, even if informally. But this is a real institution, the U.S. executive. The neo-conservatives are a peculiar group; they are not the majority. After Sept. 11, there was a certain kind of de facto coup, or attempts to orga-

nize a coup, because at that moment the neo-cons, representing only one part of the institutions, were able to increase their influence. Now, their influence is waning.

It is a dangerous phenomenon, but I am fairly optimistic that Cheney really will be removed and a new team installed, after which the question of impeaching Bush will inevitably come up. A number of Congressmen are not only thinking about this, but have prepared the relevant texts.

Q: What ideas could bring Russia and the U.S.A. closer together?

Tennenbaum: It is a pity that the dialogue we had throughout history is so weak today. Of course, our countries are very different, but they are also connected. There is the size of our territories. And there is the role of Leibniz, the great German philosopher, who was a kind of father of the American idea, but he was also in touch with Peter the Great, and it can be said that he drafted the program and was the author of the creation of the Russian Academy of Sciences. . . .

And then you had Alexander II, and Mendeleev was in America. Vernadsky had ties. . . . And there is another question: the idea of statehood. In Russia the idea exists, which is absent in other countries of Eastern Europe, that Russia really is something, that this is a country that deserves a future. . . . LaRouche has always advocated very close cooperation in science, and it is a great pity that the financing of science in Russia today is extremely inadequate, that Russian science is literally starving. I don’t say that it’s adequate in the United States, but I think that it would be very important now to intensify ties between, so to speak, good Russians and good Americans, because this is natural.

Q: Was Dick Cheney’s recent speech the start of a new Cold War?

Tennenbaum: As long as the neo-cons and such people dominate in the Administration, the possibilities for developing U.S.-Russian relations are limited by actions such as Cheney’s. In my view, Cheney is on the way down, his group is declining, although there is still a danger. But the most important thing, which your President has referred to many times, is that there are very big and real problems in the world, such as epidemics and so forth.

When your President talked about Roosevelt—Roosevelt is a key question now for the U.S.A., and not only for the U.S.A.; I would say, for this reason, that we have to establish cooperation, oriented towards real problems, and towards friendship. This friendship between Russia and the United States has a long history. . . . LaRouche also said that Russia is very important, and that he is highly interested in Russia, and that without this cooperation, the United States will not be able to solve its problems.

Moderator: Your wishes to km.ru visitors?

Tennenbaum: I wish for your country to have a good future!

An Indictment of Globalization: The Case of the Philippines

Mike Billington of EIR's Asia Desk, and Dennis Small, EIR's Ibero-America Editor, interviewed Antonio "Butch" Valdes, a long-time associate of Lyndon LaRouche from the Philippines, for The LaRouche Connection public access cable TV program. The interview took place in Leesburg, Virginia, on May 23, during Mr. Valdes's visit to the United States.

Mike Billington: Hello, this is Mike Billington. You're watching The LaRouche Connection. I welcome you here, today. We're going to have a discussion with Mr. Butch Valdes, from Manila, the Philippines, who is here in the studio. Butch is a long-time friend and associate of Mr. LaRouche, since the early 1980s. He recently was the Under Secretary of Education in the previous government, under President Estrada, and has been the head of the LaRouche Society in the Philippines, the key organizer of the LaRouche Youth Movement, which has extended into the Philippines; and over these last 20 years, besides being a close friend of *EIR* and LaRouche, has also been involved in many different political organizations in the Philippines, in the fight to pull that country out of its current very severe crisis, which we will discuss.

He also is the host over the last three years of a weekly radio show in Manila, from Monday to Friday, and a Sunday radio show which is broadcast all across the Philippines, and for which he takes calls in from the United States, Europe, Australia, and from LaRouche collaborators and friends throughout the world. So it's very much an international show.

Also joining us in the studio is Mr. Dennis Small, who is the head of our Ibero-American organization, the *EIR* Editor for Ibero-America. Dennis will bring in the perspective of the work that we've done in Ibero-America, and the relationship between that and our work in the Philippines, as we head into the worst global financial crisis in history; as we face a crisis in the United States and Europe, with governments facing a general breakdown crisis; the impact of these events on the Philippines and the potential of the Philippines' role, as a crucial nation in Asia, in helping to resolve these global crises.

We are glad that you are here to watch and enjoy this discussion with us.

So, let me start by asking you to give a general situation report, Butch, on the status of the economy, primarily, the economy and the political situation in the Philippines. I know that most people think, in a world where we're suffering great

economic crises around the world, that nonetheless, Asia is some sort of a center for development, that it has continued to grow. And there's some truth to that, although there's also tremendous poverty across Asia. But, while there is a certain amount of development across the continent, the Philippines has been an unfortunate exception to that. Could you give our listeners a sense of the crisis, as it is now in the Philippines?

Butch Valdes: Well, the real economic crisis that has been burdening our country, has precisely been caused by a growing pressure insofar as the foreign debt service is concerned. Over and above the foreign debt servicing, we also have a local debt servicing which the Philippines has had to go into, because the lending windows of the financial institutions per se, have closed down, so we have had to issue local bonds, in order to generate the pesos necessary to service the foreign debt. That is the principal burden the Philippines has been laboring under for the past so many years. And the only solution that has been brought about by the economists that are supporting the government, and all those that are in-house, especially the Economic Planning Minister, has always been to increase taxes, and of course, to try to borrow more.

When you say "borrow more," the kinds of bonds we have to issue now, start to require a higher and higher yield for those that are going to be lending to us, and we are pretty close to going into junk-bond status right now. The kind of repayment that is being required, at least to repay the foreign debt situation, has caused pressure in terms of having to increase the Value Added Tax, or a consumer tax, that has been imposed on the people. Right now, it's about 12%. But this is not just a 12% add-on to the prices of goods, because it has a multiplier effect. And people have really been having a lot of difficulty.

In order to try to quell the uncertainty, and the natural destabilization that this is causing, the government has had to make sure that the exchange rate between the peso and the dollar would be so-called "stabilized." And the stabilization process, as you might know, means an intervention by the Central Bank, using its reserves, into the foreign-exchange market, which means, intervening with something like \$50 million a day, or upwards. So, \$50 million a day is being used, taken out of our reserves, in order to keep the exchange rate pretty much stabilized. The objective, supposedly, is to try to give the impression to foreign investors that we have a stable currency situation, and that this stabilization has been caused by a stabilized political situation as well.



EIRNS/Mike Billington

Philippine LaRouche Movement leader Butch Valdes (left), with Gail and Mike Billington, at the FDR Memorial in Washington, D.C., May 2006. Franklin Roosevelt's emergency recovery policies are now familiar to millions of Filipinos, thanks to Valdes's radio show.

This is farthest from the truth.

Not many now believe in what [Philippine President] Gloria Macapagal Arroyo, or her economic managers, are doing, because this is precisely the kind of reasons why there's political destabilization or political unrest. (I'm sorry to use the word "destabilization," because that's the term the government uses, whenever people are complaining about having a lot of difficulty living.)

More recently, just to give you an indication of the poverty level, an independent survey company, called the Social Weather Station, has come out with an announcement, that on the last survey that they made, they had concluded that there are now 2.8 million families that are supposedly starving. And the numbers per family that we use, is something like five members for every family; so roughly, we see that there might be about 15 million that are now going hungry. By "going hungry" we mean, people probably eating one meal a day, or even less, depending on the kind of situation they are in.

Dennis Small: Excuse me: this is out of a total population of how many in the Philippines?

Valdes: Officially we have 84 million people. Out of this 84 million people, about 15 million are supposed to be going hungry. This has been increasing gradually over the years. I'm not sure exactly how that translates into the UN-type of statistics, where they put the poverty level, some ten years back, at 43%—the poverty level of our population.

Now, the criteria for saying that people are in the poverty level, are supposed to be those people that are receiving less than 1,000 pesos a month, at the exchange rate to the dollar

of about even less than 50:1—maybe about \$20 a month. So, this is the poverty level. And the majority of our countrymen right now, I would say it would be more than 43%, probably it's more like 55%.

Small: Yes, the United Nations uses broad parameters on poverty, and extreme poverty, which of course then have to be modified country by country. But the numbers that I've seen that the United Nations uses is, poverty is characterized as \$2 per day or less; and extreme poverty, or indigence, i.e., going hungry, which is what you're describing, is \$1 or less per day. Now, that varies per country. But you're talking here, about 20% of the population in a situation of indigence, or extreme poverty, or hunger! That's amazing!

Valdes: Right. And there has been a UNICEF study recently, some months back—it came out sometime in January, I think—wherein it placed the Philippines—certain specific areas in the Philippines had hunger situations worse than that of North Korea, or certain parts of Africa.

So, this has been announced. Of course, there has been a purposeful move on the part of our government to try to close its eyes to what has been happening in different parts of the country. And you can see many instances and examples of what poverty is like. Just recently, before I had come over here, in one of the tabloids, because it doesn't reach the main newspapers—in one of the tabloids, it talks about a woman with three children who went deranged because of poverty, no longer could feed her children, so she killed her children and then kills herself.

These are the kinds of situations which we never, never saw before. And for a mother to kill her own children, it must really be bad.

A Special Responsibility

Billington: This is probably, I'm sure, very shocking to Americans. I know that since you've been here this past week and briefed people here in our *EIR* office and others in Washington, people are rather stunned. Because the Philippines, of course, is a nation that the United States liberated from Spain, but then proceeded to occupy for 50 years before [President Franklin] Roosevelt granted independence. We have a special connection, a special responsibility as well, to the Philippines. And people hearing how horribly the nation is collapsing at this point, is a very shocking thing for a nation that in fact has a special responsibility for that country.

I know that you have huge unemployment in the Philippines. And I know also that people, out of absolute desperation, have left the country, leaving their families behind, to find jobs overseas. But I think Americans probably don't know that this, in fact, is not just something people do out of desperation, but it's the actual *intentional* policy of the



EIRNS/Mike Billington

Nearly 3 million families, 15 million people in the Philippines are at the “poverty level,” i.e., living on less than \$1 a day. Shown here: a typical shantytown, or slum in Manila.

government, to promote sending its people away from their families to work overseas, in order to gain foreign reserves with which to pay that debt.

Could you discuss that a bit?

Valdes: Yes, there is specifically an agency, under the Department of Labor, that sees to it that there is a constant outflow, or regulated outflow of people going to different parts of the world to seek employment. It’s the Philippine Overseas Employment Agency. They make sure that the people that are going there—let’s say, for example, they want to go to Japan to become entertainers—they provide a facility where they are taught to be good entertainers. If they are dancers, they have to be taught how to dance well, and so on and so forth. And there are roughly about 8 million Filipinos, probably even more; officially there are 8 million abroad. Of course, we’re expecting maybe 50% more abroad right now. But, they’re working in different levels, from gardeners, drivers, nannies, to other things, whatever else that will be needed. A lot of them have gone to the Middle East, despite the fact that they know that there’s war. We have had families losing members of their families in Iraq, for example, because it was only the Philippines that was desperate enough to go there and do whatever it needed to gain some funds, and bring them over there.

And when they’re interviewed, “why is it that you want to go to a war-torn country, where there’s a lot of fighting,” they say, “Well, if we die there, we’re dying trying to earn a living. But here, we’re going to die anyway without employment. So that is the choice.”

So this is the kind of situation we have.

The other thing that many people don’t realize, that is very—well—debilitating as far as the growth of our society is

concerned, is that, if the government goes into an employment generation scheme to try to export our people, what it has done over the years is to create millions of families that are one parent less, at least. So children are growing up in a kind of situation, which is considered like that of broken families—but because of poverty. And many times, it’s *both the mother and the father* that are out of the country trying to earn a living. So the children are growing up in an environment without parents; if they’re lucky, they are going to have grandparents taking care of them, or others. So, these children, who will not be in school, they will be out-of-school youth, will create social problems. Of course, crime will always go up, and so on and so forth, you’re going to have drug problems, and this is exactly what has been happening to the Philippines.

Small: This overall demographic situation that you’re describing, I believe they’re called the OCWs, the overseas workers?

Valdes: It’s Overseas Filipino Workers, OFWs.

Small: So, the Overseas Filipino Workers, you’re saying officially it’s about 8 million or so; again, that’s maybe 10% of the entire population, with the broken families, and the destruction and so on. This is a phenomenon, which is very familiar to me, from the Ibero-American situation, because, as so-called globalization has spread—in other words, the destruction of the economies of Third World countries, such as the Philippines, or Mexico, or El Salvador—you have nations and economies that can no longer employ and support their own population, and therefore they export portions of their own population, as Mike was describing, in order to gain the resources to pay the debt.

In the case of Mexico, the proportions now are very similar to what you're describing for the Philippines: Ten percent of the Mexican population is now in the United States, because they can't get work in Mexico. They're economic refugees. A country like El Salvador has 25% of its entire population in the United States.

So, this phenomenon of the Philippines that you're describing is, in fact, a pattern of what globalization is producing, of a destruction not only economically, but of the very fabric of the society, all for the purpose of paying the debt, and staying within the globalized system, supposedly. What is happening in the Philippines, politically, in terms of opposition to these policies of globalization that are tearing the country apart, both economically, as well as socially and politically?

Valdes: Well, insofar as opposition to globalization as such, I can safely say that, at least the Philippine LaRouche Society and its local movement, which is Katipunan ng Demokratikong Pilipino [League of Filipino Democrats], will probably be the only organization now directly confronting this issue of globalization and what it has done.

The dumbing-down process had started long before, making us believe that there are no other alternatives but to join this globalization direction. More specifically, before the time of President Fidel Ramos, which was 1992 up to 1998, we still had some semblance of an opposition, or reservations on the part of certain government officials and the private sector, opposing an opening up of our economy. So we had what we called a "short list" and a "long list." The short list was all of those areas, parts of our economy, that can be opened up, and the rest would probably have to take a little bit more time.

As soon as President Ramos took over, he scuttled this whole list business, and came up with a program that would open up the country 100% before the year 2000—he called that the "Philippines 2000." He went about specifically destroying all of the mechanisms which were necessary in order for us to generate jobs, because all the factories have now started to go down. And we became very quickly just makers of handicrafts. Right now, if you go to a trade center or something, where you invite foreign buyers, 90% of the products that you will see there are handicrafts. We're not doing anything that has anything to do with actual manufacturing and processing.

The only thing we claim to be manufacturing, is actually an assembly operation for the semi-conductor industry, wherein we start welding these little parts to these computer boards. And that alone, 85-90% of that is actually imported. We just put in the labor component, and we call that "manufacturing."

The New 'Growth Industry': 'Call Centers'

Billington: The people that used to be in manufacturing, or the jobs that used to be available in manufacturing, are either going overseas, or, as I understand it, and as Americans recog-

nize, many people are getting jobs in these so-called "call centers." These call centers are basically simply servant jobs, servicing Americans, in regard to their credit cards, and bills, and things like this. Why don't you describe this, because it's basically the only job available to your youth, even youth with degrees in economics, as I understand?

Valdes: Well, it's supposed to be the "growth industry" in the Philippines—the only growth industry is the call-center operation! And we now have something like 50,000, or maybe now about 100,000 of our youth that are already involved in call-center operations. And then, they're hoping to reach maybe 300,000 in about another year or so.

Of course, we do call-center work, only because it's more expensive to do here [in the United States]. So, they found a way of getting it done in the Philippines, because we had this facility of the English language, and we could somehow understand the kinds of instructions that are being given. Anyway, this does not take too much creativity, because they have a list, like a checklist that they ask. And you can't even hold any conversations with them, because they practically memorize what they have to ask, and standard types of questions.

Now, most of the college graduates right now, university degrees, others, whatever course they get into—they could be economics graduates, or they could be engineering graduates, or marketing, or whatever it is—their first attraction is the call-center operation, because it pays the highest right now: roughly between 18-20,000 pesos a month. So, that's like \$300, somewhere there. Maybe \$300 a month pay, or \$10 a day, something like that.

And of course, regardless of what work hours you have—because if we're doing call-center operations in the Philippines, it's 12 midnight in the Philippines and 12 noon here on the East Coast—so they have a 24-hour type of operation there.

Billington: I would guess these call centers are not contributing a great deal of technological development to the Philippines, are they?

Valdes: No, not at all. Not at all. And yet, they are the most attractive now to the college graduates. We just had somebody who is part of the Philippine LaRouche Society, whom we were able to recruit when she was in college. And then, as soon as she graduated—she's an economics graduate, and she was awarded the best thesis award in that school, and it's one of the top universities, it's the University of Manila, where you have to have a certain IQ capability to be able to enter that university—so, when she graduates, the first thing she goes to, because of the needs of her family, is to a call-center operation.

Kissinger's Coup Against Marcos

Billington: Let me go to something else. It's actually the same thing. This wasn't always true in the Philippines. The

The screenshot shows the POEA.gov.ph website. At the top, it says "The Official Website of the Philippine Overseas Employment Administration, Department of Labor and Employment, Republic of the Philippines". The main navigation bar includes Statistics, Services, Tips, and FAQ. A date banner indicates "Wednesday 24 May 2006".

Jobs at POEA
OFW Advisory
Schedule of EPS-Korean Language Test
 Date of Examination: June 4, 2006
 Time: 2:00 - 3:30 p.m.
 Venue: Adamson University, San Marcelino St., Manila for applicants with permit code no. 03235 to 06234, and University of the East, CM Recto, Manila for applicants with permit code no. 06235 to 09235
 Applicants are required to be at the test venue one hour before the time of exam and at the assigned classrooms 30 minutes before the exam. Examinees will not be allowed to leave the classroom until after the examination. Bring test identification form, original bank deposit slip and passport or any valid ID card.

News
Recruiter for Sweden factory charged with illegal recruitment
 Victims of Cebu Manpower Corp. trooped to POEA to file charges against the agency that promised them jobs as factory workers in Sweden. The victims, residents of Davao City, Zamboanga, reported that it has been 10 months since the agency collected "placement fees" from them ranging from P75,000.00 and above but failed to deploy them. Some applicants paid as much as P393,500 so that the processing of their documents will be facilitated. The agency was able to pocket around P6.5M from the 27 victims and the amount is expected to rev. up to millions more since a big number of victims are expected to file their complaints against the agency.
 Cases of Large Scale/Syndicated Illegal Recruitment and Estafa were filed at the Prosecution Office in Makati City for preliminary investigation. The cases were charged against Elizabeth "Beth" Papag & Choro I. Santos, President and Secretary of Cebu Manpower respectively. Also charged were Noel Papag, Dennis Acosta, Erwin "Tisoy" Papag, and one "Bobat/Bobat/Bebet"/ and "Bobby". Cebu Manpower Corp. is located at Unit B, 2/F, 1760 Avenue Center, Dian Street, Palanan, Makati City.

Overseas Filipino Workers
 Australia Skilled Worker Registration
 Paunawa sa mga aplikante sa EPS Korea
 Avoid Illegal Recruitment
 Looking for overseas jobs?
 Are you sure you are applying with a licensed agency?

Working abroad?
 THINGS YOU SHOULD KNOW ABOUT YOUR DESTINATION

Employment Permit System

OFW Global Resource
 A Compendium of OE Statistics 2005

PHILHEALTH
 S S S
 TESDA

DOWNLOAD
 OFW InfoSheet
 OFW e-Card Form
 Manpower Registry Form (doc) [pdf]

Best viewed using
 Microsoft Internet Explorer

Download Acrobat Reader
 or Adobe Reader

POAE.gov

Promoting globalization: The Philippine Overseas Employment Agency places ads like this one, encouraging Filipinos to seek overseas employment. They even train them for service jobs. Eight million Filipinos, officially, work abroad. When asked why they go, even to wartorn countries, they say: "Well, if we die there, we're dying trying to earn a living. But here, we're going to die anyway without employment. So that is the choice."

Philippines in the 1960s, and '70s, and '80s, despite a lot of difficulties and problems, was a nation with a mission, and had a sense of development which was probably unique in Asia, or at least in Southeast Asia. This was during the period of [Ferdinand] Marcos—who is of course denounced and castigated, he and his wife, as horrible dictators. But in fact, during his period, Marcos had a vision which included big industrial projects, the electrification of the country, the building of the first nuclear power facility in Southeast Asia, a number of industries, development of agriculture, development of health facilities, and so forth—most of which is forgotten by the IMF-related people who helped overthrow him.

You mentioned President Ramos from the 1990s: Of course, it was President Ramos who worked with the likes of George Shultz, then, the Secretary of State, and his Undersecretary for Asia Paul Wolfowitz, figures very well known here in America today, from this neo-conservative administration, who ran the so-called "popular overthrow" of Marcos, which in fact was orchestrated as a military coup from Washington, with Ramos as the military headman.

You met us just a few years before that. And I think if you tell the story of how you met us, and how you got involved, it will also give Americans a sense of what happened to the Philippines back in the 1980s.

Valdes: Right. Well, first of all, maybe I should mention what my background was. I was head of an accounting firm, considered to be the second-largest in the Philippines, at the time. We had close to 800 staff, doing all the external audit work, independent auditors for something like 2,800 plants at that time. Now, because of the political situation, and there was this uncertainty that was created, putting so much pressure on myself, as consultants—because the clients would ask, what's going to be going on? What type of investments should we go into? And so on and so forth. So, it necessarily pushed us, or I pushed myself, to try to figure out what was going on. It was very, very difficult.

And of course, the convenient reason that we always pointed to, was a corrupt leadership. And that's what everybody says: That's what the U.S. says,

that's what the Catholic Church said, so, this guy must be corrupt and really doing to us the worst thing that the Philippines have ever experienced.

Now, as we were going through this, a friend of mine from the United States goes to Manila, and hands me, in 1984, which was already the most critical period, because they had just assassinated Ninoy Aquino, who was a leading opposition leader, in August 1983. So, there was capital flight, we couldn't pay our debts. Marcos was asking for a moratorium; it was not being granted, unless he gave into certain concessions.

So, sometime in February 1984, this friend of mine hands me an *EIR*, which he picked up, he said, from the airport

coming over here, and he said I might be interested in it. So I took a look at it, and the title of the *EIR*, the main issue was something like “The Philippines: Kissinger’s Next Iran.” You know, Iran had just been, in 1980, or ’79, the Shah of Iran was toppled and Khomeini was put in place. So, this startled me, and I started reading the article. I think it was an article written by, if I’m not mistaken, it was Gail Billington who wrote that article. At any rate, I was surprised, because that article was the first publication from the United States that did not put Marcos in such a bad light. It was not too favorable, but at least it was pointing to certain moves being done in the United States that were supposed to be against Marcos for specific reasons, and it had to do with our capability to go into an industrialization mode.

Now, going back, by that time, we knew that Marcos came up with an energy development program as early as 1973, wherein, over a span of a number of years, he wanted to be self-sufficient insofar as our energy requirements were concerned. And that meant that we would not be dependent on imported oil. And the whole program meant that by 1990, we would have been 90% self-sufficient in our energy requirements. At that time, of course, we didn’t believe that, but it was being bandied about like that. It seems that it may have been possible, if we had gotten our nuclear power plant on-line by 1985, which was the objective, and we were on time, despite the fact of all these environmentalists trying to stop the movement. Plus, of course, it was the president of Shell Philippines who was very active, trying to stop us from opening up our nuclear capability. The president of Shell Philippines at the time was a guy named Cesar Buenaventura, who, after the revolution, was awarded a knighthood by London for being able to stop us from being able to put up our nuclear facility.

At any rate, from what I understand, from the former Energy Minister, Mr. Ronnie Velasco, it was Bosworth, among others, who in 1985—

Billington: This was the U.S. Ambassador to the Philippines.

Valdes: The U.S. Ambassador Bosworth, who asked that we don’t start up the nuclear plant. Because this would have added tremendous capability on our side, to start to be self-sufficient in as far as our energy requirements were concerned. So, this was not started. And everybody knows, of course, 1986, we had the revolution.

And immediately, the first thing they did, was to try to get the nuclear power plant to be inactive, and many supporters and advisors of Corazon Aquino, who became President, made sure. They even came here to the U.S., and filed a case against Westinghouse, which we lost, which “losing” meant that from that time on, we didn’t have a nuclear facility, but we still paid \$160,000 a day to pay the debt, because of the damages of not continuing the facility. And up to now, we’re still paying \$160,000 a day, because of this “privilege” of not

having a nuclear plant working.

The reverse has since happened, wherein we are now 90% dependent on imported oil for our energy requirements. We had a natural gas facility, 70% of which was owned by the Philippine government, and Fidel Ramos has since privatized this and we now own less than 10%. And of course, natural gas, which is being processed by Shell, we have to buy it at foreign prices, not Philippine prices but NYMEX prices—New York Mercantile Exchange prices: So, we produce the natural gas right there, on our shores, but we still have to pay international prices for it.

Mexico Was the Model

Billington: Dennis, this was the early ’80s, the same period that López Portillo was President in Mexico and had very ambitious plans for the use of his oil, to trade for technology, and especially nuclear power. Do you want to comment on that?

Small: Well, just that: This was in fact the period, when there was a real sense within developing-sector nations that it would be possible to build a new world economic order that would be more just. And in the eyes of many of those leaders, such as José López Portillo of Mexico, who was President from 1976 to 1982, and was actually a good friend of Mr. LaRouche’s up until President López Portillo’s recent death a year or two ago, he was a very active proponent of not only Mexico’s industrial development, but in particular to use its oil wealth, which was owned by the nation, use it as a transition as a means of getting into the Nuclear Age, to have nuclear technology.

From about 1982 forward, but really especially the decade of the ’90s—and I think this was the case around the world—this was the decade of utter globalization, free trade, privatization, where every concept of national development, sovereignty, industrial growth—they tried to wipe it off the face of the Earth. Now, these ideas are beginning to come back, especially given LaRouche’s more prominent role inside the United States, in heading up a faction in the Democratic Party, which is closely associated with the ideas of Franklin Delano Roosevelt.

So, what we see at least on the Ibero-American side, is a return to the idea of nuclear energy, as is occurring internationally. And I would suspect that you have a similar type of sense in the Philippines, that it might now be possible to do things.

Argentina is playing a key role in South America, at this point, with the idea of getting rid of the IMF system and moving to something new, like the New Bretton Woods that Mr. LaRouche proposes. So in a way, I’m getting back to the question I asked you earlier, about what is the opposition to globalization? Or, perhaps, more concretely, what are you and what is the LaRouche Youth Movement doing with the idea of bringing the Philippines into a New Bretton Woods new world monetary system?



Ferdinand Marcos (above) had a vision for the Philippines, including big industrial projects, electrification, etc. His successors, former President Fidel Ramos (far right), President Gloria Macapagal Arroyo (center), and House Speaker José de Venecia, are following the IMF script, which is destroying the country.



Michael Rey Baniquet OPS-NIB Photo

Valdes: Well, we've been on this—we started the radio program, for the past three years now. And that radio program was conceived precisely because there was a real need for it. This was being done—I decided in opening that up, because there was going to be a Presidential election a few months later, and I could see that both the opposition and those that were incumbent were not going to deal with the financial and economic issues, yet this was the most important. They were going to deal with a lot of other things, but, you know, the opposition was being led by a popular movie star, who was not too familiar with what was going on. And of course, you have the incumbent, Gloria Macapagal Arroyo, who probably knew exactly what was going on, but decided to go full free market, and be in the control of the creditors. Because none of her programs, despite the fact that she was saying “poverty-alleviation program,” had anything to do with addressing the biggest burden of our budget, which was the debt situation.

Now, having seen that, we said, our role was to make sure that the people understood that the real issue had to be economic; the real issue had to be our poverty situation, and that our capability to produce has been destroyed. I remember Mr. LaRouche, in one of his addresses and explanations, he said, “The people know that they are not observers watching gladiators fight it out in the arena. They must know they have to be in the arena themselves, because it is *their* lives that are at stake.” And this is precisely the message that we were trying to make people understand.

Number one, was the awareness, getting them out of this dumb-down process. And it's not just the mass, it's not just the poor people. The dumbing-down has affected even those that have PhDs . . .

Small: Well, those are the most dumbed-down people in the United States. The more degrees, the dumber you are!

Valdes: Right!

Small: And businessmen, and so forth. And we would address them. And I remember the theme, all the time in many of my initial statements, that we considered leadership, not just government leadership, not just business leadership, but the *academe*. And I always said that the academe is the most dangerous, because they destroy generations.

Billington: How about the youth?

Valdes: Okay: the youth, what we've also done, because I've started to gain some listenership in our radio program. Of course, with your help: Mike has been calling in. I think you—Dennis—have been able to call in once or twice—

Small: Once or twice, yeah.

Valdes: And several other friends from here, from all over, we've got some listenership and some credibility. Because, you know, our program is situated in such a way that there are other fundamentalist religious programs being aired during that time, so we're the only ones that really would be interesting to many people. So we're situated properly there.

Now, we got invited, I got invited to talk to different universities, and this is precisely what—we went to address the economic societies, the graduating class, or whatever have you, in something like five or six main universities in Metro Manila. That included the University of the Philippines; De la Salle University, where I come from; and University of Santo Tomás, which is the oldest university in the Philippines.

And all the time, addressing these issues, and getting the young people to come out and demand a future from their elders.

And of course, especially in the state university, the feedback we got was, they were afraid to confront their professors, because their professors threatened to flunk them, if they continued to espouse these anti-globalization ideas! It was convenient for them, initially, to just shut us off and call us “communist” or “left” or whatever. But eventually they realized that doesn’t work, because the left doesn’t like our ideas, as well! And we were precisely doing certain things, and continuously mentioning the concept of the General Welfare, and various things.

And again, we have to get away from this “imperialist America” type of concept—although there are imperialists here in America, but this generalization thing, that anything that comes from America is supposed to be fascist, or imperialist, or so on and so forth. Because we started explaining the history, which we got to learn, because of the exposure to Mr. LaRouche and his ideas.

And I am confident that many of our youth in the different universities, despite the fact that they are not actively involved in a movement, have been given the initial ideas that will give them the capability to at least not just swallow things that are being shoved down their throats, such as free trade and the rest of these things.

The Philippines in Asia

Small: Well, in the immediate term, you have of course, a total crisis going on in the world and in the Philippines, so youth will be facing very real choices. And their whole world is crumbling around them, as it is here in the United States, and other places in the world. So that the current ideas “don’t work.” So the fact that you are an outlet, a relay station for LaRouche’s ideas in the Philippines, and have been for 20-odd years, is intersecting that process as well. That’s one point, which I think is important for people listening to this show to keep in mind.

A second point, which goes much further back in history, which I’ve been anxious to ask you about, is something which Mr. LaRouche refers to frequently, when he discusses the Philippines, and what the role of the Philippines is in Asia; because, as some of our listeners may be aware, the Philippines was originally a Spanish colony, very different from other countries in Asia, and therefore was a transmission belt into Asia of some of the best—and the worst—ideas coming from Western Europe as well.

So, what can you say more broadly historically, about the role of the Philippines, in this global concert of action that LaRouche is trying to put together?

Valdes: Well, LaRouche has precisely pointed out to us that we do have a major role in terms of being a conduit of sorts of what are the great ideas coming from the Western European world, and being able to initiate this and share this with the rest of the Eastern section of, or neighboring countries of the

Philippines, in that particular sense.

We are unique. And I used to joke about this, with some of our friends. I said: We really are unique. Because we are the only ones in this part of the world that have Spanish names but “chinky” eyes. And of course, we laugh when it’s said, but it is precisely what has happened to us. We were a culture of Spain and many parts of Europe, even Germany, France, and so on, so forth, because of individuals like José Rizal, and many of our people, who studied in Europe prior to going to the United States. And brought these ideas that we up to now, cling to, especially the ideas of José Rizal, which are utterly, almost purely European, and this will have to continue and we’ll spread it out. And that’s the role that we continue to reiterate to be that of the Philippines.

And also the facility of the language. Because the United States had taken us over from Spain in 1901. And one of the principal contributions of the United States to us, of course, is the American system of education. Of course, that means the facility of being able to speak in the English language, which was our advantage for some time. We’re now losing that advantage, because the educational system has deteriorated over the years. But we still have that facility and closeness through the culture and the ideas coming from great people.

Franklin Delano Roosevelt is one such individual, which we have almost regularly exposed to the Filipino people. Because the conditions that he faced in saving, not just America, but the rest of the world, in the 1930s and ’40s, when he became President, will probably be the kind of role our leader, our next leader, somebody that Filipinos elect, will have to do. So, these ideas, we continuously, almost religiously, bring out, as to what steps and what type of thinking can be done.

Since you mentioned the Nuclear Age and nuclear development, this is one of those that we are planning to embark upon, by organizing a Nuclear Philippines Club. We’re going to open up discussions and invite all of those people to bring this debate publicly, as to whether a nuclear facility should be set up in the Philippines or not. Especially in the light of the last exposition of Minister Velasco as to what had happened to the Marcos Administration’s efforts in bringing us a real energy development plan. Right now we don’t have any such thing.

Our Energy Secretary, the former Energy Secretary anyway, used to work for Lazard Frères, and his real experience was only to be part of this commodity futures market and investing for them. So if you have an energy secretary with that kind of orientation, you can just imagine what kind of energy development program we would have.

Billington: My last question is: In the current crisis in the Philippines, one aspect of it has been focussed around a desperate effort by Ramos—and he’s also drawn President Gloria Macapagal Arroyo into this effort—is to do away altogether with the American System of government, the system



EIRNS

LaRouche movement leader in the Philippines, Butch Valdes, left, LYM members, and Michael Billington, center.

with the checks and balances between the courts, the legislative and the executive branch. And they're quite blatant, that they want to do this because the "damned Senate" is getting in the way—

Valdes: Expediency.

Billington: Expediency—getting in the way of our implementing IMF demands, new taxes, and so forth, which they say will save the economy, which of course, only saves their payment of debt, while the population and the country collapse. So, this has become a fierce fight. They want to change to a parliamentary system. Could you say a few words about that, and how you think this fight is going to play out?

Valdes: First of all, there is this fight, precisely to try to railroad this idea of trying to transform our structure of government from Presidential to parliamentary. Now, the majority of the Senators have refused this, for what I would think might be personal reasons, because their force will be somehow dissipated. And I was just telling some people, I said, that this is precisely the reason why it should be the Presidential system. Because, despite the motives of the Senators and those people that are opposing a change, the Presidential system *works*, in terms of checking and neutralizing the efforts to try to railroad this, and the beneficiary is still the people. Despite the motives of those people that are involved.

Now, José de Venecia, who is now the Speaker of the House, Fidel Ramos, together with Gloria Macapagal Arroyo, since they saw this opposition in the Senate, they tried to go around it, by saying that there is a provision in our Constitu-

tion that allows what you call "people's initiative," which is a signature-gathering thing, which will confirm whatever moves they want to make. And they're now in the process of collecting these signatures. I think they were able to do it in a few days, because it takes that long to write up all of the names! And, of course, the opposition says, "we'll take you to the Supreme Court." And we expect, of course, the Supreme Court being substantially appointed by Gloria Macapagal Arroyo and Fidel Ramos, would be moving towards either an approval of this, or it's going to be a very difficult situation for them. But if they're able to do this, the Senators are saying, we're going to have civil war.

Because the people are rejecting this, the people are actually rejecting this. Gloria Macapagal Arroyo has just about has the lowest popularity rating, even *worse* than the worst times of Marcos.

Billington: And worse than George Bush?

Valdes: Probably. It's a pretty close fight. But—

Small: That's hard!

Valdes: That's hard. But, in our radio show, I say "the most unpopular and untrusted politicians today, are Gloria Macapagal Arroyo, Fidel Ramos, and José de Venecia." We don't even have to look at the merits of the Presidential system and the parliamentary system: the fact that these are the most unpopular and most distrusted politicians, who are pushing the change, why is it that we still have to talk about it?

And because of this, many people have actually rejected it. But they're going to railroad this. Indeed, we may have a possibility of a civil war, and that is the choice that these leaders will have to make. And we hope, of course, we don't reach that point.

There is another institution which will have to play or make its hand felt, if they are acting as one, which is the military. The Catholic Church has already gone against what Gloria Macapagal Arroyo wants in many different areas, and even in this Cha-Cha [charter change] thing.

Now the military is still ambiguous about it—there is a joke, by the way, let me say it, because I said "the generals." One of my radio callers asked, "is that what you mean by 'General Welfare'? That the welfare of the generals is being taken care of by this present administration?"

So then, maybe somehow these things are going to play out whatever way. And we always said that the economic situation will decide what the fate of this present administration will be, most especially because of the statements that

Mr. LaRouche has made with regard to the coming financial collapse.

Billington: Well, we have to close. And I want to thank you for coming. And thank you, Dennis. And thank you for coming to the United States, Butch. I think this trip has opened up a lot of eyes, and it is going to lead towards greater collaboration between the Philippines and the United States. But also with our friends and allies across Ibero-America, who, through your trip here, today, might end up having regular conversations with your Youth Movement there and with you, and with the hope that the Philippines can return to its historic mission.

Valdes: We look forward to that, Mike. And thank you.

Billington: And come again.

Valdes: I've been very welcomed here.

LaRouche Speaks to The Philippines

Lyndon LaRouche was interviewed by Philippine radio host Butch Valdes, the head of the Philippine LaRouche Movement, and several members of the Philippine LaRouche Youth Movement, on nationwide "Radio Mindanao," for one hour on Sunday, May 14, immediately preceding Mr. Valdes's visit to the U.S. The following are excerpts from that interview. Subheads have been added.

The Philippines and Ibero-America

Butch Valdes: Mr. LaRouche, the Presidents of Argentina, Bolivia, Venezuela, and Chile have clearly taken steps to address their economic problems in various ways, from unilateral declaration of moratorium on foreign debt payment, re-nationalization of oil and natural gas expropriation, to outwardly defying the IMF and multinational corporations. Is this a correct move? Why have other leaders not done the same?

Lyndon LaRouche: Well, this is a very significant phenomenon. As you know, the Philippines is actually part of the same process, with different characteristics somewhat, from what happened in South and Central America. People moved from Europe during the time of the struggle for freedom in the 16th and 17th Centuries, into the Americas. And you had a similar development in the Philippines, where you had a previously existing population, as in Mexico and Peru, which had its own pre-existing level of culture, and you had an integration with people from European sources, who migrated into there and had an influence in there, from Spain, or later from the United States, in particular. So this is the characteris-

tic of parts of the developing world, the Americas and the Philippines, which have great similarities—despite all the differences we know about.

And so, what there is, is a certain kind of optimism built into a certain stratum in South and Central America, which is not found in the same way in Europe. It moved into South America: You have the dictators, the thugs, the reactionaries, the Synarchists, people like that, but at the same time, you have a layer of cultural optimism, and a sense of oligarchy-free self-government, self-rule, which you do not have even yet in Europe. So, we have special characteristics, as opposed to other parts of the world. And therefore, despite the distance across the Pacific, we have certain affinities which can be easily adduced. You can see the similarities. And if you look from the Philippines at these developments in South America, and also to some degree Central America, in Mexico, for example, you see that there's a similar degree of potential optimism.

With the breakdown and discrediting of the Bush Administration, and a general breakdown of everything, these tendencies in South America are tending to come together, as a united force in the hemisphere—at least the southern part of the hemisphere—and they're more optimistic than you will find in other parts of the world. That's what you're seeing.

Otherwise, you have in Europe—it's a much more oligarchical worldview, much more inclined to go along—you know, they still have this great respect for barons, and princesses, and dukes and duchesses, and kings and queens, that we don't have in the United States, and we don't have generally throughout the Americas. So that's our advantage: We are the part of European civilization that escaped from Europe, in order to be free of the oligarchical tradition of feudal Europe. And therefore, we have certain advantages, cultural advantages, because of that. And that's what you're seeing, is the advantage.

We're very close to these people, that is, our work is very close to people in South and Central America. We're in touch with people who are representative leaders in the governments and so forth in that network. We're very much in support of the efforts for unity of efforts and cooperation among these states. So, we're part of it.

We sense that the Western Hemisphere, the Americas, is a special part of the planet, and we—myself and others—feel a special affinity from the United States with the history and with the people of the Americas as a whole.

Nuclear Power and Desalinization

Valdes: Well, for years now, you have emphasized the importance of nuclear-energy development, if countries are to survive and develop. Presently, leaders from all over are beginning to realize the need for an indigenous source of energy to alleviate their dependence on imported oil, or to forcibly take over oil fields. Would you like to comment on this criti-

cal problem?

LaRouche: Well, take it from the standpoint of the Philippines: You have a land area which is subsiding because of the draw-down of fresh water from subsurface sources. So, you have a sense of the threat there, that the land will sink below the level of the seas, because of the draw-down of the fresh water from beneath. We have, all over this planet, that similar kind of situation. For example, the Ogallala system in the central part of the Southwestern United States. We're having a water crisis, a fresh water crisis. We have a water crisis, where we don't have water to begin with. But, on the other hand, as in Australia, they're drawing down fossil water; in southern India, they're drawing down fossil water.

So we can not continue to operate, managing for a growing world population or national populations, on the basis of existing approaches to water supplies. Therefore, the only solutions we have to this are two: One, in the first approximation, nuclear power. You don't just measure nuclear power in watts or calories. You measure nuclear power, its output, in terms of energy-flux density—that is, the concentration of power per square kilometer as such. And therefore, this has a chemical significance: That is, in order to accomplish, economically, certain chemical processes, you have to have an *intensity of power* at the point of production, to apply to solve these problems.

So therefore, in dealing with the world water problems alone, without nuclear power, you *can not* solve these critical problems of water, or a whole series of other, related problems. Therefore, there is no option *but*, right now, nuclear fission power, especially the high-temperature gas-cooled reactor. One example of that is India. India has a large store of radioactive thorium; it's one of the principal stores of available radioactive thorium on this planet. And therefore, years ago, when Germany had developed the Jülich model of high-temperature gas-cooled reactor, we emphasized the fact that the Jülich model is especially well-adapted to a radioactive thorium power production process. India is now moving, at least some people in India, in that direction. What they need is one breeder reactor or more, a breeder-reactor program, in order to activate the thorium reserves. In that case, India will then have a possibility of having small nuclear plants of 100 MW or more capacity, and station them in various parts of India, as well as the larger plants for other areas. In this way, you can bring the application of nuclear power, as a source to solve the local problems in many parts of India, problems which otherwise would not be solved.

So, we've come to a phase, where in order to have replacement fuels for petroleum-based fuels, in order to have solutions for water problems, and also certain mineral problems, we need nuclear power. So everyone who understands what's going on, is saying, "We're going back to a high-tilt nuclear power program." And we're looking forward, within a quarter-century, 25 years from now, to supplementing the



EIRNS/Stuart Lewis

*Lyndon LaRouche:
"The Americas and
Philippines have
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despite all the
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know about."*

nuclear power installations we make in the meantime, with the development of operational thermonuclear fusion power sources, which will deal with other problems, chemical problems, that we have to solve on this planet.

Bridge between East and West

Valdes: Okay, we have a question from one of the LYM (LaRouche Youth Movement). His name is Ver.

LaRouche: Aha!

Q: Hi Lyn. Well, here's the question: How do we organize the population, particularly in the Philippines, where you have, I think, quite a different culture. You have afraid Boomers, which wish us to do nothing, and youth which are timid, well, very timid. They know the problems, but wish to do nothing about the situation and rather keep quiet. How do we deal with that? And there's not much time—we're about to launch into a new dark age.

LaRouche: You've got two problems. First of all, as I said, the Philippines is a culture, which is in an Asian context. And there are distinctions as a result of the history of the development of the Philippines. The Philippines is much closer, culturally, in its dynamic, to the Americas than it is to Asia. It's one of its peculiarities.

Therefore, the development of the Philippines has depended upon a sense of the affinity with the Americas. It sees itself as being somewhat like the Americas. The loss of much of the high-tech capability, which was formerly associated with the U.S. military bases in the Philippines, such as the naval base and the air base, that has essentially been undermined over the past quarter-century. So, there is that estrangement.

My view is that, similarly, because of the very principle, that if the young people of the young adult age in the Philippines feel themselves linked to the United States in some efficient way, as people in the United States who think the same way in general, can discuss and communicate with people in the United States, and also in some degree in Europe, that this will give a morale factor, of building the morale

among the younger generation, the young adult people.

Also, what's needed, as we do elsewhere in the world, we find that if you have a program which is based on two things: on Classical song, that is, Classical musical composition, which has an effect on the mind; and also the history of the development of science, especially starting from ancient Greece, from the Pythagoreans, Plato, and so forth—that these two factors will give you a selection, where you will get response from *some* people among the younger generation, and the reaction from *some* people among the younger generation will then be an attractive force for the larger generation. That's the experience we've had in the United States; it's what we have in Europe. But in the United States, of course, we have about six years of working on this particular approach. We now have some very rich results, very good results. We have young people who are now showing themselves to be actually emerging as actual political leaders and other leaders in society.

So that's what's needed—the sense of unity with the youth generation of their own age throughout the world, especially the Americas and parts of Europe; and a sense of their own development; a sense that there are emerging young leaders, leaders of the future emerging among the youth generation inside the Philippines; and some idea of what the programs are which would save the world, civilization, now threatened, and includes saving the Philippines, which, as we all know, has gone down considerably over the past 25 years. And bring them back, go back to the idea that existed still in the immediate postwar period—shall we say, the time from MacArthur's return to the Philippines. That sense that there was progress ahead, there was development ahead. That the development of the economy of the Philippines, and the culture, was going to be successful. And over the past change in culture worldwide, in the 1970s, especially, and the 1980s, that sense of connection was lost.

So, therefore, my approach is to try to bring back an historical sense that there was something good, which has been to some degree lost. Let's rebuild it, and that will start the Philippines back on the direction toward progress, which it was struggling for with some significant success in earlier decades.

Wait for the U.S.?

Valdes: Okay. Many, of course, here, will be wanting to get to know: What should countries like the Philippines do, in preparation for this global financial tsunami? Is there any move that an individual people like ours can make, in preparation for that? And do we have to wait for the U.S. to be able to solve it for us?

LaRouche: No, there are several levels on which you can respond to a thing like this. First of all, you know, the human mind is a wonderful thing, when properly used. And if a people is encouraged to take emergency measures to defend their culture, to maintain things, functioning more or less, then the

worst crises can be resisted. You see examples of this, and the attempt to do that in Europe during the so-called Dark Age, in the middle of the 14th Century, in which there were hold-outs, in which some areas were able to resist these conditions, because they fought.

And therefore, if a people is encouraged to use human ingenuity, creativity, and solidarity, they can take measures which will ameliorate the dangers of a great crisis. The worst thing is when a crisis hits a population which is totally demoralized and passive, and submits to whatever happens. But if there's a determination to resist—for example: If there's a determination to maintain food supplies, if there's a determination to continue to fight disease, for sanitation, a determination to keep the morale of the people up, these qualities can mean that certain pockets in the world will be more *resistant* to the crisis than other parts.

I think the Philippines has a potential in that direction, because of its multicultural character. It has resources and a history to draw upon, in bringing unity. I think the sense of unity, of the defense of the nation and its people, among people within the Philippines population is the most important thing for the Philippines to think about now. Because just sitting around to wait for the United States to save them, is not the answer. The answer is, of course, the United States *has* to take the initiative, to get the world out of this mess. But in terms of: How do you deal with an oncoming crisis which the United States may not have stopped? Then, the solidarity of the people, their cooperation, their high degree of morale and mutual support, and their practical sense of what to do, is the key weapon of defense.

Technological Optimism

Valdes: Okay, another LYM question, Lyn, from Gayle.

Q: Hi Lyn. My question is: What is the unique role of the Philippines in the establishment of the New Bretton Woods system? Is there any? And how do you think this can be done by, first, the Philippine government; second, the ordinary people; and last, by the Philippine LYM?

LaRouche: Well, first of all, the peculiar characteristic of the Philippines is, number one, is that it is in a sense, an extension of European civilization: in the sense that like Mexico, and like Peru, in Central and South America, the population was based on an indigenous population which existed prior to the coming of the Spanish, prior to the coming of European civilization, but has adopted, because of the influence of Christianity and so forth, has adopted the characteristics of a European culture; in the same sense that Peru has, in the same sense that Mexico has. So therefore, it's an outpost of that in Asia.

Now, it also has the potential for high-technology development, both in its cultural heritage, and also in some of the resources which are concentrated because of the way minerals are distributed in the planet. So there are many industries

which are vital, as part of the world system, which would be quite naturally developed in the Philippines. There is also an agricultural potential of some significance, which is important. So therefore, the Philippines, if properly developed, if the opportunity for development is there, can become an outpost of a contributing role of European civilization in Asia. And the Asians, in a sense, need that. So there is a very important relationship, potentially, between the Philippines and the Asian continent, which many people, of course, in the past have recognized. I think it's the case, now, too. It's very important.

But the key thing for me, is that the people of the Philippines must have a sense of their own potential future. They must have a basis for optimism about their future. And then they will be able to *see* these things, these opportunities, these potentialities. Then they will be mobilized to act for them. I think the basic thing, problem that I've seen over the past 25 years or so, is a demoralization of the people of the Philippines, to feel they don't have the option of going in this direction. If they do sense they have an option of going in this direction, if they believe in it, then I think you'll see a very significant role of the Philippines in the total Asian hemisphere.

The Presidential System

Valdes: Okay, I have to ask these last questions that have been sent to us here, Lyn. "The people in our government, who want to push the shift of our government structure from the Presidential system to the European-inspired parliamentary system, can you comment on a move like this objectively?"

LaRouche: Yes, it's a mistake. A terrible mistake. Of course, if you have a bad President once or twice, you may say, "Let's get rid of the Presidential system." But then, you have to think about the future and the past, and you have to think about what system works better.

Now a European parliamentary system, for this time in world history, is the *worst possible decision you can choose*, apart from pure anarchy. Because parliamentary systems, by their nature, tend to be controlled by higher-ranking private authorities called central banking systems. And therefore, you have a government which really doesn't govern. Because the wealthy bankers, or wealthy banking system, is able to actually run the society, because it tells the government what it can do and can't do. And a parliamentary system, by its very nature, is one which is impotent under the thumb of an independent, so-called, central banking system.

So, in the U.S. system, you have the best form of government which has ever been created on the planet, constitutionally—when we follow it! In our government, a monopoly on the creation of money is created by the Federal government, with the permission of the House of Representatives. Therefore, we are not a monetary system, we are a credit system. We create credit, which is the debt of government, we create

that in order to promote long-term investments, chiefly long-term investments. In what? In things which are 25- to 50-year investments, in basic economic infrastructure, or in providing capital for capital-intensive development of agriculture, industry, and so forth.

But the government must regulate the banking system. It must not allow any corruption to come in, such as the hyperinflationary influence we have now. It must protect the people and their interest. And a President, who is functioning in that kind of system, the American System, the system of our Constitution—often violated, admittedly—*that is the best system*. So, our problem in the United States has been to rush to the defense of the Constitutional design of our government, because *if* we maintained the intention of that Constitutional design against all kinds of corruption, then we would have a government which would be fair, and it would be effective and could respond to its own errors by solving these problems. And that is the best kind of government.

And the Philippines has a reflection of a model of the American Constitutional system, which is the best kind of government in the world. Now, if you've got a problem with it, you have to fix the problems, without killing the form of government. That is, as they used to say, "Don't throw out the baby with the bathwater!" And the baby is the Presidency. Don't throw the baby away. It's the baby which is the assurance of your future.



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China's Three Gorges Dam Completed Ahead of Schedule

by William Jones

The completion by Chinese engineers of the construction of the massive Three Gorges Dam, earlier than expected and under budget, has defied the catastrophic predictions of its vociferous detractors. The filling of the dam reservoir to its full height, which was scheduled to be accomplished by 2009, will now be completed in 2008. The 606-foot-high dam, which stretches 7,575 feet across the Yangtze, the world's third-longest river, has long been the target of the radical environmentalists. Now, with the world, and China in particular, facing rapidly growing energy needs, both nuclear energy and hydroelectric power have received a new lease on life as the ideal alternatives to oil and coal.

In fact, with the completion of this project, one of the major spinoffs envisioned by Franklin Delano Roosevelt's TVA great project, has finally been realized.

But that hasn't stopped the anti-science "environmentalists" from continuing their idiotic polemics, as evidenced by Al Gore's latest foray into the global warming/climate change hoax, with his film "An Inconvenient Truth." The same week that the last of the cement was poured in the Three Gorges Dam, on May 20, both the *Washington Post* and the *New York Times* ran scare stories on the project, warning of imminent environmental "degradation" as a result of its construction. On June 6, the temporary cofferdam, which was built to hold the waters of the river while the dam was being built, will be taken down, and the walls of the dam itself will then bear the full force of the river.

The dam, with its 26 generators, will produce 85 billion kilowatts of electricity per year, nearly one-ninth of China's present power needs. The size of the dam has broken all records in several areas, not only in height and length. The control storage of the Three Gorges Reservoir is 22.15 billion cubic meters; the flood causeway is 483 meters, with the maximum discharging capacity at 102,500 meters per second, also a record. The two-way, five-step lock is also the most ad-

vanced in the world.

The reservoir will stretch 412 miles back to Chongqing, providing a long, wide, and deep river, rather than a large lake as with most dams. Shipping, which had long been a hazardous undertaking on the often treacherous Yangtze, will be greatly enhanced; the deeper channel will allow larger ships to move up and down a placid river. This will permit even more passenger and freight traffic to traverse this ancient, 6,200-kilometer corridor of commerce and culture.

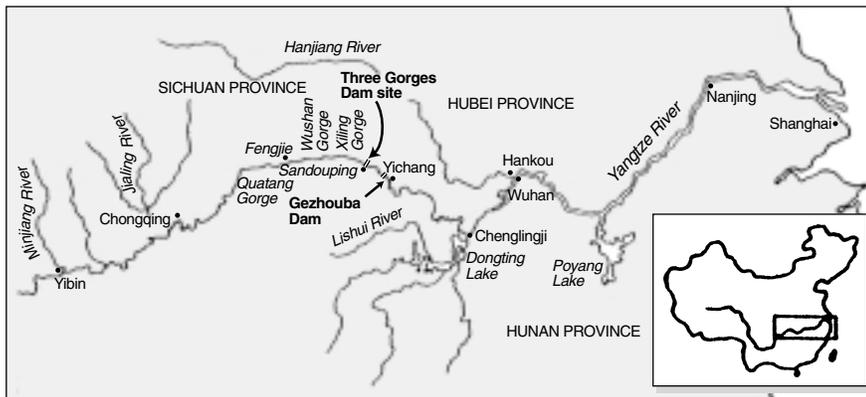
Tremendous Loss of Life in Flooding

But a primary driving force for the decision to build the Three Gorges project was the tremendous loss of life and property caused by regular flooding along the Yangtze River. During the 2,200 years from the beginning of the Han Dynasty to the end of the Qing Dynasty in 1911, there have been 214 floods, an average of one every 10 years. In the 20th Century, there were five severe floods. Combined flooding on the Yangtze and the Han Rivers in 1911 is said to have claimed hundreds of thousands of lives. The great flood in 1931, which took the lives of 145,000 people, inundated an area the size of New York State, submerged more than 3 million hectares of farmland, and destroyed 108 million houses. In the flood of 1935, 142,000 people were killed.

The 1954 flood inundated 48 million hectares of farmland, affected 18 million people, and claimed 30,000 lives. An additional 18.9 million people suffered from flood damage, and the operation of the vital Beijing-Guangzhou railway was suspended for more than 100 days.

Most recently, a major flood in 1996 was followed by an even greater one in 1998, which led to 3,656 fatalities, and affected the lives of 290 million people. In that flood, there were more than 5 million houses destroyed and 21.8 million hectares of farmland submerged. The total economic cost of the 1998 flood for China was \$30 billion. Ironically, the con-

The Yangtze and the Three Gorges Project



The reservoir that will be created behind the Three Gorges Dam will stretch dam near Sandouping, a distance about the length of the Grand Canyon.

tinual development of the Yangtze Basin is increasing the economic cost of such flooding. The 1954 flood, which occurred at a time when the area was still considerably underdeveloped, would today, with the present agricultural and industrial capabilities, cause ten times the amount of damage.

Realizing such a massive project required a great deal more than simply bringing together the materials, the labor, and the technical expertise. The reservoir region behind the dam will inundate 17,160 hectares of farmland, and 3,867 hectares of riverside land will be flooded. It is estimated that 34.8 million square meters of rural and urban houses are below the inundation line. Also, land will be lost to the construction of roads, electricity transmission lines, communications lines, and other infrastructure.

A total of 1.13 million people have been relocated to make way for the project. Many of the dilapidated river towns along the mountainous region which were submerged by the reservoir were replaced by new towns built farther up the slope. Those who couldn't remain in their own districts, were given compensation to relocate in other parts of the country, including large cities like Shanghai where there would be work available. Although this relocation simply accelerates the general move from the countryside to the city, such a massive migration could not be accomplished without some psychological and physical hardship. At the same time, the inhabitants of the Yangtze region are no strangers to such massive migrations of people. The 1998 flood, which killed more than 3,000 people, required the evacuation of 13.8 million people.

Scare Stories Unfounded

Many scare stories have circulated about the amount of refuse which would accumulate in the upper reservoir as a result of the construction, a problem which is inherent in the building of a dam, when the flow of the river is significantly curtailed. Nevertheless, measurements have been taken in the

reservoir waters, indicating that there is no deterioration in the water quality. "The dam area has maintained a sound ecological environment and water in the Yangtze's upper reaches is still up to drinking standards," Xie Xiufa, the senior engineer with the Yangtze Water Resources Committee told Xinhua News Service recently. "Water quality in the Three Gorges reservoir has met the country's surface water standards and remained more or less the same as it was before the Yangtze River was dammed," he said.

In addition, the Chinese government will spend nearly \$5 billion on at least 150 sewage treatment plants and 170 urban garbage disposal centers to prevent water pollution in the upper reaches of the river. The Three Gorges

Project Development Corporation has also spent \$2.5 million on building the world's largest garbage clearing vessel which will help clear up "garbage floats" in the reservoir.

Similarly with regard to important cultural sites along this causeway of 5,000 years of Chinese culture: Many of them have either been moved entirely to other locations or, where possible, preserved in the new environment, even creating islands for the monuments which had previously been on the mainland.

International Involvement and Obstruction

The dam project dates back to a proposal by Sun Yat-sen, the founder of modern China, in 1918. During World War II, engineers from the TVA did feasibility studies for the Three Gorges project. But when the decision was finally made by the Chinese government to go ahead with the project, there was only a modicum of U.S. involvement. The Al Gore faction of the Democratic Party worked vociferously to discourage any farsighted development projects, both at home and abroad. Because of the resistance from the Gore faction, the U.S. Export-Import Bank refused to provide loan guarantees to companies interested in engaging in the construction. Only the more daring souls were thus willing to become involved.

Nevertheless, the success of the Three Gorges project, has created an important precedent for a China with a rapidly growing need for energy. During the next 20 years, there will be 12 hydroelectric mega-bases developed for the production of energy along the Jinsha River in Western China, with an installed capacity of 58.88 million kilowatts, three times the generating capacity of the Three Gorges project. Aware of the terrible environmental cost of its reliance on its abundant coal resources, China is seeking to resolve its energy problems through a rapid shift to hydroelectric and nuclear power development.

Take a Reality Check

The Financial Blowout Is Currently Under Way

by EIR Staff

As the headlines in the accompanying collage make clear, the extreme turbulence in the financial and commodities markets has finally begun to convince even the most “Establishment” of financial press outlets, that the blowout of the bankrupt world financial system is under way. Over the two-week period beginning the second week in May, roughly \$2 trillion in market capitalization were erased. All major stock markets reported the biggest two-week losses since early 2003, with special emphasis on the so-called “emerging markets,” ranging from Russia to India, to the nations of South America. Some of the collapses have gone into double digits on one day alone.

Due to the sudden meltdown of stock prices and “carry trade” investments in “emerging markets,” further extended by derivatives bets based on such markets, several large banks and hedge funds are believed to have suffered extraordinary losses. This may help explain the short-term interruption of the commodity hyperinflation process. Banks and funds had to temporarily liquidate positions in commodities and other investments in order to get cash to cover losses in stocks, “carry trades,” and related derivatives. Thus, CRB, the world’s premier commodities index, fell by 6.4% within one week, the biggest weekly decline in 25 years.

Subsequent to the major sell-off, the commodity markets have gyrated wildly from one day to the other, creating a

highly unstable situation for the speculators.

“Everyone seems to be on the lookout for a Long-Term Capital type of situation,” said Steve Drobny of the consultancy Drobny Global Advisors, according to a Reuters wire of May 23. Drobny was referring to the 1998 Long-Term Capital Management blowout, in which only an emergency infusion of funds commandeered by the New York Federal Reserve Bank, stanching the threat of a freeze-up of the world financial system.

One hedge fund specialist, Crispin Odey, was quoted in the May 24 *Financial Times* Online mooting that the hedge fund “industry” itself is “doomed.” Odey, formerly with Barings, and the founder of the \$4.5 billion Odey Asset Management hedge-fund group, compared the coming fate of the hedge funds to what happened to Lloyd’s of London in the 1980s. Lloyd’s underwent a near-death experience at that point, and was only “saved” by a major campaign to bring in a raft of money from what are commonly referred to as the suckers. A similar process is likely under way in the hedge fund sector today, as reflected in the fact that pension funds and other low-brow investors are currently pouring money in that direction.

Odey told a roundtable discussion on hedge funds that they had grown so big because of the massive benefit of cheap money (read, the yen-carry trade), and that they were going to be in big trouble as inflation and interest rates rose. “The hardest thing to do is to think in a different way than the crowd, but in an inflation world, hedge funds get killed,” he said. If the hedge funds rely on getting monies from fund investments by institutional investors, “it’s a doomed industry,” Odey reportedly said.

In fact, the hedge funds are not a separate financial sector at all, but primarily an extension of the money-centered banks, especially the investment banks, which want to have arms-length instruments with which to carry out their speculative business. Some have vectored their investments toward actually laying claim to raw materials supplies, in anticipation of the inevitable collapse; others are simply scrambling for paper profits, or to eat their competitors.

What should be clear to all is that the bubbles—from debt, real estate, commodities, you name it—can only have one fate: They will pop. At that point, either sovereign governments move in to reorganize a credit system to rebuild the world economy for its people, or a financial dictatorship will reign over the collapse into a new dark age. Those who have worshipped the markets as gods will soon learn this truth, of which the recent turbulences are only a brief foretaste.



Germans Nervous About Hedge Fund Crisis

by Rainer Apel

A year ago, Franz Müntefering, then national chairman of the German Social Democratic party (SPD), triggered a heated public debate in Germany over the issue of “locusts,” as he called hedge and other speculative funds that are “eating up industry.” What Müntefering said had been inspired by several weeks of political campaigning by the LaRouche Youth Movement in Germany, for a New Bretton Woods-style monetary system. Getting hedge funds under control was an integral part of that campaign.

Subsequently, at the G-8 Summit in Gleneagles, Britain, in July 2005, Gerhard Schröder, then Chancellor of Germany, proposed “transparency of the hedge funds.” Even that very cautious first step towards control of the funds was met with a panicked rejection by the U.S. President and the British Prime Minister. Schröder made their rejection public during

the early election campaign in the weeks following the G-8 Summit, and the debate about fund controls continued.

In September, shortly before the election which cost Schröder the chancellorship, his government passed legislation for transparency regulations for all hedge funds that are active in Germany. This legislation is a rather cautious step, making it mandatory for hedge funds to report and document to the financial regulatory board (Bafin), all engagements in firms that exceed 3% of the respective shares. The European standard is 5%. But even the cautious German legislation is making the hedge funds nervous; there has been a continuous screaming and yelling in the German economic press about what it terms the “discrimination” of this legislation. Although the broad public debate on “locusts” has died down, because the new German Chancellor, Angela Merkel, is not interested in the matter, the screaming and yelling has not ceased.

Some political factions want to go beyond mere “transparency” regulations; they call for a ban on hedge funds generally, because of the funds’ role in ongoing financial market crises on a global scale. An example of this took place on May 19, during a hearing in the German parliament on a motion by the leftist party amalgamation Linkspartei, that calls for a ban on hedge funds altogether. Linkspartei co-chairman Oskar Lafontaine, a former Finance Minister and former party chairman of the SPD, spoke in that hearing, quoting Jochen Sanio, the chief financial market regulator of Germany. Sanio had warned [several weeks ago—ed.] that “hedge funds are the black holes of the world financial system,” and that “it is not a question of if, but when, a hedge fund causes a disaster.”

Lafontaine said that “in 1998, the collapse of LTCM hedge fund threatened the world financial system,” adding that “it does not suffice . . . to say that hedge funds can only get regulated in an international framework, if at all. No, we ourselves are urged to take responsibility, and make a contribution, so that there is not an international disaster. . . . What is addressed here, is the principal question of whether we shall sit by idly and watch the financial markets living with such risks. If some day another crisis occurs comparable to the LTCM crisis, and the international financial markets collapse, it is not sufficient to stand there with one’s mouth open, but to commit oneself to one’s responsibility.”

Typical of the political left, however, Lafontaine did not say what he



EIRNS/Toni Kastner

German institutions are becoming worried enough about portending economic disaster because of unbridled hedge-fund speculation, to break their taboo on quoting LaRouche on the subject. Shown here is a depiction of a locust, used to represent the destructive activity of the hedge funds by the LaRouche Youth Movement, during a campaign event last September. The head is that of then-Chancellor candidate, now Chancellor Angela Merkel. Although she is not the cause of the problem, she has done nothing to solve it.

would actually do, as opposed to idly observing what is going on. It would have been a small step from his remarks, to address the LaRouche call for a New Bretton Woods (NBW) banking system, but apparently that was too big a step for Lafontaine—as for many others. To date, not one member of German parliament has stepped forward to initiate a public debate on the global crisis, and on the LaRouche NBW proposal, as members of the Italian parliament have done. On this issue, there is still a lot of cowardice among German elites.

German Media Dares to Cite LaRouche

Things may change soon, though: The crisis on the overblown bubble created by hedge fund market speculation, is no longer manageable. Emergency action is required. More and more hedge funds are biting the dust, and when, on May 16, Edgar Meister, a senior official of the German Central Bank, said that “things cannot be kept together for much longer,” it was a clear indication that the situation was getting very serious. On May 18, the Munich-based news daily *Sueddeutsche Zeitung* under the headline, “Put the hedge funds on a leash,” had its theme-of-the-day column call for regulation of hedge funds, “before they trigger another LTCM-size disaster, which would threaten the entire financial system of the globe.” Banks are saying they have reduced risks, and have the thing under control, but that does not sound very convincing, the article stated, as the interdependency of the financial markets and its players is so dense today, that another LTCM crisis would cause a much bigger disaster than the one in 1998.

Because the “L-word,” LaRouche and his constructive proposal for a New Bretton Woods, was avoided, this otherwise interesting *Sueddeutsche* article was toothless, however.

Discussion is already much more advanced in certain circles in Germany. Two news dailies have already broken the taboo of not saying the “L-word.” On May 5, the *Frankfurter Allgemeine Zeitung* carried a paid advertisement for the book *The Greenspan Dossier* by Roland Leuschel and Claus Vogt. The ad quoted from the April 27 webcast by LaRouche: “The present financial system has reached its end. This nation and the world are now facing, in the weeks and months ahead, the greatest crisis in modern history; a greater crisis than World War II.” Acquainted with LaRouche’s assessment and proposals, Leuschel, a longtime former banker at Bruxelles Lambert, some years ago coined the term “salami crash,” to describe the unsustainability of the current financial regime.

And on May 1, the German internet daily *Saar-Echo* carried a lead article, titled “Global Financial Collapse in September?” with the introduction: “World financial collapse in September? U.S. opposition politician Lyndon LaRouche explains the current situation in the world financial system, and demands governments must act.” The article was based on the same week’s *Neue Solidarität* lead article covering LaRouche’s April 27 webcast.

Put Millions to Work

Expand Public Health, VA Hospital Systems

by Marcia Merry Baker and Edward Spannaus

Federal agencies have the immediate capacity to assimilate hundreds of thousands of people, if not millions, into useful work today, as happened in the 1930s under President Franklin Roosevelt (see box). This report examines the capacity and capabilities of the U.S. Public Health Service, and the Veterans Affairs agency, and the health-care capabilities of the Community HealthCorps within the AmeriCorps structure, which focusses on health-care needs of people in areas with inadequate medical services.

The revitalization of public health and health-care services must begin with a survey of physical facilities, as provided for in the landmark Hill-Burton Act of 1946, discussed below. The Hill-Burton Act would mandate a broad construction drive for new and upgraded facilities, which would necessarily require the resources of the U.S. Army Corps of Engineers, AmeriCorps, and so forth.

U.S. Public Health Service

The U.S. Public Health Service (PHS) today has a Commissioned Corps of 6,000 officers, detailed to numerous agencies within the Departments of Health and Human Services, Homeland Security, Justice, and elsewhere—both for ongoing operations and emergency situations, such as to the Federal Emergency Management Agency after Hurricane Katrina.



The PHS has its origins in the 1798 law which established a chain of marine hospitals in East Coast port cities. In 1870, this was reorganized into the Marine Hospital Service, which instituted a military organization for its staff, and created a mobile cadre of physicians in uniform who could be deployed as needed. By 1902, the agency had assumed the major responsibility for the control of infectious disease through quarantine and other measures, and it was renamed the Public Health and Marine Hospital Service.

Today, the Public Health Service is one of the seven U.S. uniformed services, and is organized under the Office of the Surgeon General, within the Department of Health and Human Services (HHS). Its uniformed service personnel are pro-



USPHS

This Public Health Service dental trailer, in the 1940s, was part of a fleet providing dentistry to remote parts of the nation, from isolated Coast Guard stations, to rural communities. This approach today could involve thousands of civilian health corps workers in providing mobile services ranging from pest management, to vaccinations and X-ray screening.

professionals—epidemiologists, researchers, physicians, dentists, veterinarians, and many others. They constitute a vital national network that could deploy huge cadres of public service; young people, and people of all ages, in health-care delivery of all kinds, and on-the-scene education.

The necessity to expand this agency is nowhere more urgently seen, than in the threat from avian flu. The enlistment of health corps cadre as a response-force, to deal with sanitation connected to disposing of livestock, providing for the needs of quarantined people, and the many other tasks of dealing with an epidemic, show what must be built up overall under the U.S. Public Health Service auspices.

Officials on the city and county level—the front lines of response to epidemic and disaster, have readiness plans that are well worked out, but no staff and resources to implement them. This was stressed May 22 at a Washington, D.C. press conference by the National Association of Cities and County Officials. Meshing the national network of the U.S. Public Health Service, with the officials from the national grid of localities, can quickly involve a vast number of youth and unemployed in training and on-the-scene service.

Dr. Georges Benjamin, head of the U.S. Association for Public Health Workers, has repeatedly testified to Congress on the urgency of deepening the ranks of public health operatives in the country today. The number of public health workers per 100,000 persons has fallen from 200 in the 1970s, to less than 100 in most places today. The traditional method of deploying “interns” of all kinds—not just physicians, but people at every skill level—is one tried-and-true way to scale up the public health workforce. The U.S. Public Health Service—with staff in every state—is already positioned to anchor this.

Intersecting the mission of public health workers, are medical and health forces centered on community hospitals

across the country. Here, a mobilization to restore needed ratios of licensed hospital beds per 1,000 persons, and also to restore the full range of treatment logistics to similar standard ratios, will need a vast construction campaign that can involve thousands of construction jobs.

The guiding principle here is the 1946 Hospital Survey and Reconstruction Act, also called the Hill-Burton Act, after its bipartisan cosponsors, Senators Lister Hill (D-Ala.) and Harold Burton (R-Ohio). This simple, nine-page law set in motion a Federal/local/state effort to provide modern standards of hospital-centered health care to residents of all 3,069 counties in the nation. This was accomplished as of the late 1970s. But then, with the onset of the era of the Hospital Maintenance Organization (HMO), hospitals went into decline in terms of the beds-per-1,000 Hill-Burton standard. At least 1,000 out of 5,500 hospitals were lost from 1980 to 2002; and the ratio of beds per 1,000 residents fell from the desired 4.5, down to 3.0 or even less today. Many counties now have none.

At present—especially in the face of possible pandemics, or limited outbreaks such as SARS—there is an inventory of vacant hospital structures that can be rehabilitated back into medical delivery service. Many hospitals have been knocked out by “market” forces during the recent cutthroat HMO years of for-profit hospital raiding. But the buildings, or others like them, are public assets to be converted for interim use, while the hospital network as a whole is restored.

Quickly establishing *surge capacity*—the ability to handle emergencies—is one key objective of rebuilding the public health infrastructure and service corps of the nation.

As it is, in the transition to having the depth of infrastructure needed to provide health care for the millions of uninsured—given passage of a “Medicare”-like universal health care system for those under age 64—there will need to be waves of expert innovation, and usage of interim facilities and staff to provide logistics for medical treatment.

Veterans Affairs Department

The Veterans Affairs system, with its national grid of hospitals and clinics, is an invaluable asset for such a transition to restoring needed ratios of medical staff and infrastructure. The VA has a nationwide network of benefit-administration offices, plus a health-care system consisting of 154 hospitals, 900 outpatient clinics, 134 nursing homes, 34 residencies, and other facilities. It is the second-largest Federal department, with more than 235,000 employees, seeing to the needs of 26.5 million veterans currently, and potentially a larger pool of 70 million people, eligible for VA benefits and services because of being family or survivors of veterans.



The FDR Model

Part one of this series, “The FDR Model From 1933: Put Millions to Work Rebuilding the Nation,” by Marcia Merry Baker and Edward Spannaus, appeared in *EIR*, May 26, 2006.

That article profiled three Federal agencies: the U.S. Army Corps of Engineers, the Natural Resources Conservation Service of the U.S. Department of Agriculture, and AmeriCorps, which includes VISTA and the National Civilian Conservation Corps. The last named is directly modelled on the Civilian Conservation Corps (CCC) of the 1930s, which took millions of youth out of poverty and idleness, and put them to work on projects of permanent value, still today being enjoyed by the American people.

The agency profiles in this series demonstrate that the institutional structures exist now, with enabling legislation already passed, which would allow us overnight to absorb millions of Americans, particularly unemployed and underemployed youth, into useful jobs building, repairing and maintaining all manner of infrastructure, public works, and public health projects.

In November 1933, at the direction of President Franklin Roosevelt, emergency relief administrator Harry Hopkins established the Civil Works Administration, putting 800,000 people to work within ten days, almost 2 million to work within two weeks, and over 4 million people within nine weeks. These people were put to work building and repairing streets and roads, bridges and sewers, schools and public buildings, playgrounds and parks, and infrastructure programs of flood control and water management.

—*Marcia Merry Baker and Edward Spannaus*

Huge numbers of civilian works corps personnel could be deployed to meet the tremendous needs for physical facilities and staff to provide health care, medical treatment, housing for the elderly and homeless, and other care-related work. As it is, the VA system, which has been targeted for downsizing, cannot properly cope with the 17,000 men and women suffering injuries over the past three years in military service in Iraq and Afghanistan.

Nationwide, an estimated 30,000 soldiers are at present waiting for a room in the VA health system. Even now, VA hospitals are in line for shutdown, for example, the VA Medical Center in Fort Wayne, Ind. In 2004, the Cheney/Bush Administration called for closing 11 VA medical centers, and downsizing 33 others. This must be reversed.

During the FDR period, when aging World War I soldiers were desperate for care, the number of Veterans hospitals increased from 64 to 91; bed capacity rose from 33,669 to 61,849. Correspondingly, special training programs were implemented to provide increased staff. The Army Corps of Engineers was brought in to construct more than 40 new hospitals. Exactly this model can be used today.

In addition to providing health care, there is other ongoing VA work to be done, from cemetery maintenance, to education, to disaster response, that can be scaled up to involve thousands of new workers. The VA administrative system in itself is an asset for carrying out a civilian workforce mobilization.

Traditionally, the special role of the VA system, in the process of giving medical care to veterans, is for direct training and deployment of medics—physicians, nurses, technicians, assistants, and all kinds of staff—for the national medi-

cal workforce at large. VA hospitals and clinics typically have accommodated interns and new medical graduates to gain experience on field assignment. In addition, VA medical centers have for decades been closely tied to teaching centers directly, for research, training, and delivery of some of the most advanced medical treatment in the world, such as in Chicago and New York City. With this legacy, these same VA networks can be ramped up in short order.

One priority impact, is to relieve the dire shortage of nurses across the United States. At present, the average age of working nurses is 45; and that of nursing faculty, 55.

Second, there is the obvious role of the VA in disaster readiness and deployment.

The principle involved is illustrated by a few examples of the way the Veterans Affairs system functioned without a hitch during the Hurricane Katrina disaster. For example, every resident of the VA assisted living center in New Orleans was safely relocated to a VA home in Washington, D.C., with a minimum of difficulty.

Alternatively, the VA facilities in the Hurricane Katrina zone served as coordinating points for incoming volunteer help. For example, VA nursing specialists from the Veterans Administration Hospital in Bedford, Mass. flew into the Shreveport, La. VA Hospital to care for Alzheimer’s patients relocated from the New Orleans VA Hospital. Other Massachusetts VA staff went to Waco, Tex., a major VA medical complex, where they quickly converted a vacant warehouse into a field hospital, and cared for arriving busloads of dazed storm victims from Port Arthur.

This kind of “matter of course” response shows the ability of the nationwide VA system to coordinate, train, and deploy hundreds of thousands of new civilian health corps workers.

Uninsured Crisis Spurs Conyers' Push for HR 676

by Patricia Salisbury

One dramatic indicator of the catastrophic state of the U.S. health-care system, now collapsing in tandem with the destruction of the manufacturing and productive base of the economy, is the steady rise in the percentage of Americans without any health insurance. Reports indicating that nearly 20% of the under-65 population of the United States have no health insurance—most, despite full-time employment within their household—have demanded a renewed drive by Rep. John Conyers (D-Mich.) to generate a Congressional majority for a universal, health-care bill, modelled on Medicare, which he has introduced repeatedly in recent years. That bill, H.R. 676, this year has gained scores of sponsors; it has the mobilized support of Lyndon LaRouche's political action committee and the LaRouche Youth Movement.

The most recent figures available show 45.5 million non-elderly uninsured in the United States in 2004, up 15% from the 39.6 million uninsured in 2000. As the accompanying map shows, there is not a single state which has less than 10% of its non-elderly population uninsured, and about a quarter of the states are well above 10%. In George Bush's home state of Texas, the percentage is 27%—the highest in the nation. Eleven states—Florida, Louisiana, Mississippi, Montana, Nevada, New Mexico, Arizona, Oklahoma, Texas, Arkansas, and California—have more than 20% of their non-elderly populations uninsured.

And while the Southern states lead the nation in this dubious distinction, with 11,614,390 non-elderly residents having no health insurance in 2004, the Northeast region has almost 7 million uninsured; 2,757,520 of them in New York state alone.

There is no doubt that the number of uninsured is continuing to grow. In August 2005, the Arkansas center for Health Improvement reported that 30% of START residents between the ages of 19-44 were not insured, and that the number was rising. Hospital emergency rooms have been transformed into clinics for the uninsured; studies show that 56% of the patients who went to the Emergency Department of the University of Arkansas Medical Center in Little Rock had no insurance. Shocked by these figures, the state moved to provide health benefits to the uninsured, but has come up with only a minimal program that provides six doctor visits a year, seven hospital stays a year, and two prescription drugs per month. The issue of what happens to patients who need more visits or prescriptions is not addressed.

The Moderate and Middle-Income Uninsured

The picture is even starker when the focus is put on the plight of citizens who lose their insurance for a period of time during a year, or who are grossly underinsured. Estimates are that 75 million Americans under age 65 lacked any insurance for varying periods during 2003-04.

A recent survey by the Commonwealth Fund, "The Changing Face of the Uninsured," conducted between August 2005 and January 2006, found that a rising number of uninsured individuals are in moderate and middle income American families, when lapses in insured status are taken into account. The study's figures show a dramatic increase in the percentage of working-age Americans with income between \$20,000 and \$40,000 annually, who were uninsured for at least part of the past year. In the 2005-06 period, two of five Americans (41%) in that bracket were uninsured for at least part of the year, up 12% from 2001, when the figure was 28%.

The figure for low-income Americans in the survey has now risen to 53% from 49% in 2001, while even the share of uninsured high-income Americans has risen from 4% to 7%.

The survey found that the effects of even episodic periods of being uninsured were devastating, financially and medically. More than 51% of uninsured adults reported medical debt or bill problems. Of those, nearly half used up all their savings to pay their bills, and two out of five were unable to pay for basic necessities like food, heat, or rent because of medical bills. The survey found that many basic preventive care diagnostics were skipped by the uninsured. For example, fewer than half (48%) of uninsured women ages 50-64 had had a mammogram in the previous two years, compared with 75% of women who were insured throughout 2005. And this is among people who were insured at least part of the time.

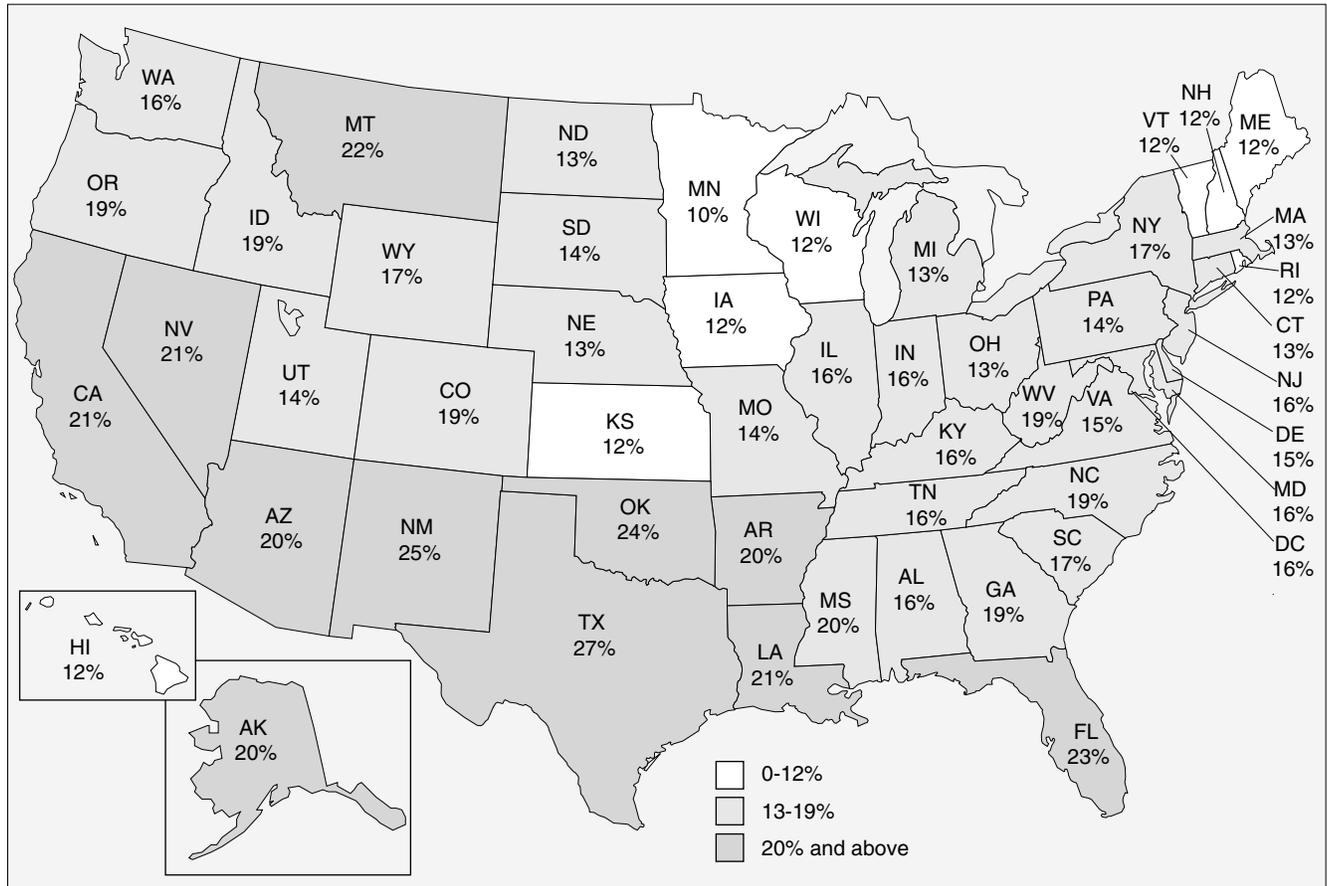
'Medicare for All'

Given this escalating crisis, a renewed drive is under way, led by Representative Conyers, to pass universal health insurance through the U.S. Congress. Draft Bill HR 676, introduced by Conyers in the first session of the current 109th Congress on Feb. 8, 2005, represents a continuation of his decades-long fight for universal health care, and a rallying point for groups and individuals who want to address the health care crisis.

The bill currently has 68 co-sponsors and has been endorsed by a number of labor unions at both the international and local level. A list is posted on Representative Conyers' website. On April 21, economist and statesman Lyndon LaRouche issued an endorsement of HR 676, citing the actual or virtual obliteration of pre-existing private pension and related contractual agreements supposed to ensure health care in the United States. As LaRouche was issuing his endorsement, one of the few remaining sections of U.S. manufacturing manpower in the United States, the United Auto Workers union, was threatened with a wholesale loss of health benefits, following in the footsteps of the steelworkers and other highly

FIGURE 1

Non-Elderly Uninsured: Over 20% in Nearly a Quarter of U.S. States, 2004.



Source: Kaiser Family Foundation State Health Facts; EIR.

TABLE 1

Non-Elderly Uninsured by State and Census Region, 2004

Northeast		Midwest		South		West	
6,957,880		7,701,060		18,825,620		11,614,390	
CT	381,140	IL	1,773,010	AL	618,280	AK	115,670
ME	131,430	IN	859,890	AR	455,000	AZ	966,460
MA	710,250	IA	302,230	DE	104,850	CA	6,544,640
NH	140,740	KS	292,880	DC	75,210	CO	766,590
NJ	1,248,690	MI	1,113,140	FL	3,242,980	HI	122,370
NY	2,757,520	MN	447,400	GA	1,454,260	ID	231,150
PA	1,412,420	MO	660,720	KY	577,650	MT	175,490
RI	112,890	NE	195,370	LA	832,280	NV	431,030
VT	62,800	ND	69,510	MD	781,250	NM	404,030
		OH	1,320,700	MS	498,630	OR	598,730
		SD	90,230	NC	1,363,820	UT	316,890
		WI	575,980	OK	691,560	WA	867,920
				SC	592,900	WY	73,420
				TN	800,780		
				TX	5,440,100		
				WV	292,900		
				VA	1,003,170		

Source: Kaiser Family Foundation, State Health Facts; EIR.



EIRNS/Sharon Stevens

A shut-down hospital in Detroit.

skilled productive workers whose benefits had supposedly been assured forever.

The Conyers' legislation, the "U.S. National Health Insurance Act of 2005" which is also termed "Medicare for all" would entitle everyone living in the United States to a high-quality standard of care to be delivered through the "single-payer system" of an expanded Medicare apparatus. The health insurance benefits under the act would cover all medically necessary service, including primary care, dental, mental health, prescription drugs, and long-term care, with no copayments or cost-sharing permitted. Enrollees would receive care from physicians of their choice. All participating providers would have to be public or non-profit, and the legislation provides for the conversion of investor-owned providers to not-for-profit status, effectively removing the profit motive of "shareholder values," and the Health Management Organization (HMO) system originated by Nixon-era legislation, from the practice of medicine in the United States.

Not surprisingly, Conyers' bill is drawing the ire of the neo-conservative think-tanks such as the Heritage Foundation, which held a May 22 forum in Washington, D.C. entitled "Another Step Forward for Free Market Healthcare." At this event, Rep. Mike Rogers (R.) of Michigan, which has a whopping 1,113,140 uninsured, declared emphatically that there was no problem with health care that a "free market economy" could not cure. While Representative Conyers' legislation was not mentioned by name, Rogers made numerous denunciations of "national" health-care plans, and said a number of times that "one size fits all" plans cannot work, leaving little doubt that he was speaking to rebut the Conyers legislation.

June 7 Mobilization Planned

The Heritage event may have been an attempt to preempt the mobilization in support of HR 676 which has been an-

nounced by a coalition of pro-universal health-care groups led by Healthcare-Now! On June 7, these groups will hold rallies, press conferences, town meetings, and other events to publicize the legislation and move it forward. In some states, the coalition is organizing visits to members of Congress who have not endorsed the legislation, walking tours of insurance companies, and is planning to drape banners over highways.

Marilyn Clement, National Coordinator for Healthcare-Now! states that one goal of the mobilization is to insert the issue into the November 2006 Congressional elections in a major way.

However, even if a magic wand were to be waved, a sense of concern for the general welfare to prevail in the current U.S. Congress, and HR 676 to be passed, it is clear that the devastated U.S. health-care infrastructure is unable actually to deliver the promised care. For example, Congressional hearings in 2005 established that the currently overstressed and underfunded Veterans Affairs hospital system had placed tens of thousands of veterans on waiting lists, as eligible citizens of every age group sought to replace their collapsing health-care options with care at VA hospitals. The existing VA hospitals were simply overwhelmed by the numbers seeking care.

Articles in this issue give the picture of both the collapse and potential for mobilization in both the VA system and the Public Health Service. Previous *EIR* features have documented the collapse of the U.S. health-care system from the standards established by the Hill-Burton legislation passed in 1946, which saw that the needed ratios of health-care infrastructure such as hospital beds, medical personnel, and public health service be available in every county in the nation. (For an overview, see "Health Care's 'Fundamental Infrastructure' Threatened by Medicaid-Cuts Mentality," by Marcia Merry Baker, *EIR*, May 13, 2005.)

The Conyers legislation acknowledges this infrastructure crisis in Title III, where a Capital Expenditures budget is established to provide for the construction or renovation of health facilities, and for major equipment purchases.

Title III forbids any co-mingling of the operating budget and the capital improvement funds—far from a formality, since Congressional hearings disclosed that the desperate administrators of the VA hospitals were shifting monies from their capital maintenance budgets to operating expenses, in an effort to keep vital capabilities such as emergency rooms operating. During hearings in 2005, this practice was first denied, and then rationalized as temporary by the bureaucrats at the top of the VA administration.

Any honest survey of any area of health-care infrastructure and personnel, establishes that the LaRouche-led fight for a return to Hill-Burton standards, the massive building of health and sanitation infrastructure, and the recruitment of another generation of medical personnel, are critical to making the promise of HR 676 a reality.

Progress on Vaccines, Stall-Out on Logistics

by Christine Craig

In early May, the ABC fictional TV movie “Fatal Contact” was broadcast, about the arrival of an avian flu pandemic. With millions dying internationally, it placed the U.S. epicenter in Richmond, Virginia, showing gore and body-bags. Thousands of viewers had the same reaction as those in the 1930s did to the radio equivalent—H.G. Wells’ “War of the Worlds”—when they thought it was for real.

Instead of terrorizing the public, or broadcasting non-speak from Administration officials, what is sorely needed are updates on the science involved, and a real mobilization of infrastructure to handle the genuine threat.

Of note this month, are two key aspects of the situation: There is some motion on developing vaccine capabilities, though not nearly enough; and secondly, there is an extreme lack of logistics in depth, to deal with a mass-illness outbreak or disaster. Local county and city officials are clamoring for assistance.

We provide, here, updates in these areas, beginning with noting a new study of how an avian flu pandemic might play out in the United States.

Produce and Distribute

On May 3, the Department of Health and Human Services (HHS) came out with its updated Pandemic Influenza Implementation Plan, providing new data gathered from recent pandemic simulation studies done on the Los Alamos National Laboratories supercomputer, and using different parameters of the infectivity, or spreadability, of a pandemic influenza virus (“Mitigation Strategies for Pandemic Influenza in the United States,” Timothy Germann et al., *Proceedings of the National Academy of Sciences*, April 11, 2006). This study was funded by the Department of Homeland Security and the National Institute of General Medical Sciences.

Although the usefulness of such computer modelling in predicting real events is dubious, it is important to know that it is informing the actions of the National Institutes of Health, the Centers for Disease Control and Prevention, and other agencies charged with distributing funds for pandemic response.

The authors of the new study concluded, as expected: “We believe that a large stockpile of avian-based vaccine with

potential pandemic influenza antigens, coupled with the capacity to rapidly make a better-matched vaccine based on human strains, would be the best strategy to mitigate pandemic influenza. *This effort needs to be coupled with a rapid vaccine distribution system capable of distributing at least 10 million vaccine doses per week to affected regions of the U.S.*” (emphasis added).

Thus, the tasks are restated: the necessity of having sufficient, effective vaccines; and the ability to distribute them. A massive and efficient vaccine production and distribution infrastructure is crucial to limiting the health and economic impacts of a pandemic to an attack rate of 10%, with a death rate of 2%—the goals of the HHS plan. (Two percent mortality, the most optimistic assessment of the 1918 pandemic, would still mean almost 6 million deaths in the United States!)

Vaccine Development Actions

The release of the results of the modelling study was followed closely by the release of an additional \$1 billion by HHS for cell-based pandemic vaccine development by five companies: GlaxoSmithKline (\$274.75 million), MedImmune (\$169.46 million), Nartis Vaccines & Diagnostics (\$220.51 million), DynPort Vaccine (\$40.97 million), and Solvay Pharmaceuticals (\$298.59 million). Sanofi Pasteur had previously been awarded \$97 million in 2005 for development of cell-based production. (A previous round of funding in 2005 gave substantial funding to several companies to move egg-based vaccines into clinical trials).

HHS secretary Mike Leavitt commented, as he announced the new funding: “Our current capacity of egg-based influenza vaccine production is not sufficient to meet increased demands during an emergency. Accelerating the development of this vaccine technology, and creating domestic capacity, are critical to our preparedness efforts.”

Cell-based vaccines are those which do not need to be manufactured in chicken eggs. They are often grown in canine kidney cells in industrial bioreactors, a process which can potentially produce more pandemic vaccine much more quickly than incubating live virus in millions of fertile eggs. HHS has estimated that producing 300 million doses of vaccine would require 900 million chicken eggs, which might be hard to get if a poultry pandemic preceded the human one. Large volumes of the cells can be pre-grown and frozen until needed, then unfrozen and infected with the vaccine virus. After amplification in cell culture, the vaccine virus would be harvested to produce the killed, attenuated, or protein-product viral vaccine.

Newer technologies are in the pipeline, and have been given small grants for research and development, but have not yet been fully funded for production. It is hoped that the next round of funding will award more funds to some of these newer, promising technologies, such as DNA vaccines and novel vector vaccines—using viruses like adenovirus (cold

virus) or baculovirus (insect virus) to carry pandemic flu proteins.

Two vaccines will be necessary—a contingency taken into account somewhat in the new Los Alamos computer simulation study of pandemic outbreak. The first would be made *before* a pandemic, using a stockpile made from already circulating pre-pandemic viral strains. This would be used for the first massive pandemic vaccinations. At the same time, virus from the actual human infections of the pandemic strain, would need to be used, to rapidly manufacture the actual *pandemic* vaccine; this would be distributed as soon as available.

The prime scenario would be to get the matched vaccine into distribution within the critical two-week period identified in the modelling simulation, if possible.

The HHS stated goal, however, is still only to get the pandemic vaccine into distribution within six months after an outbreak. By that time, most of the recipients would probably be survivors of the pandemic flu.

Thus, two things become clear: The first, is that by far the most important vaccine will be the pre-pandemic vaccine. The better, faster, and more cross-reactive that vaccine is, the more people will survive (not necessarily avoid) the disease.

Public Health Logistics Lacking

The second, is that the vaccine technology that the HHS has so far pumped money into, does not fit the bill. Even the cell-based technology funded to date is old, clunky, slow, and inflexible. What are needed are vaccines engineered with modern recombinant DNA technology, using highly immunogenic systems of conserved viral proteins (proteins very similar in many flu strains) and effective adjuvants (chemicals which boost immune response to antigens in the body). Such vaccines could be made cheaply ahead of time, stored indefinitely, and used against many flu types in a pinch.

Thus, while the flow of funding has indicated a serious interest on the part of Congress and the Administration to ramp up new and effective vaccine production strategies, much more must be done, and still, the weakest point of the current readiness plans, is the distribution networks. The United States is hampered even in yearly seasonal flu vaccine distribution, by the mishmash of public and private supply chains and breakdowns.

On May 22, representatives of the National Association of County and City Health Officials (NACCHO) were in Washington, D.C. begging for resources for equipment and anti-viral stockpiles to implement local pandemic plans around the country.

As the executive director of NACCHO, Patrick Libbey, commented during his press meeting, “I think we need to look seriously at matching the development of vaccines and antivirals, with the means of making sure they can be distributed.” If the vaccines don’t get to the people’s arms, they do no good. Although Mike Leavitt has repeatedly insisted that

local responders will be on their own in a pandemic, money for implementing the local response has been slow in coming, leaving the already strapped cities and counties with lots of great plans, but few tools and supplies to carry out the plans.

Computer Modelling

The new pandemic computer modelling—with all its drawbacks—has brought greater definition to some of the previously “fuzzy” areas in planning, making it all the more clear, that resources must be mobilized. For instance, given limited courses of Tamiflu available, how should the emergency stockpiles of antivirals be prioritized? Is it best to give them to first responders, saturate an outbreak area with them, or target them to those close to infected people within an outbreak area (targetted antiviral prophylaxis)?

Although the Federal agencies are not yet making public their prioritizing plans, the focus of their study, on targetted application of antivirals, suggests that it might be used, although it is the most arduous plan to implement.

The modelling study found that, for a virus of lowest infectivity, current stockpiles (around 5 million courses) of an effective antiviral would be extremely valuable in achieving the target success goal of limiting viral attack rate to around 10% of the population. With a highly spreadable virus, however, the courses needed to be effective would exceed our ability to stockpile enough. And lesser amounts proved relatively useless in damping down a pandemic of high infective potential.

As many already would suspect, an adequate supply of a pandemic vaccine was found to be the most important single element in lessening morbidity and mortality, but not the length, of a pandemic.

This measure was most effective, under modelling parameters which assumed a limited amount of vaccine—if everyone possible were given just a first dose, of even a less-than-perfectly-matched vaccine, during the first two weeks of a pandemic, rather than vaccinating fewer members of the population, but with two doses. The key was to vaccinate massively and early in the outbreak.

Of course, the use of multiple strategies simultaneously—social distancing and isolation strategies, targetted antiviral distribution, and massive vaccination—was the most effective course of action to limit the pandemic.

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Editorial

Fighting To Save Our Way of Life

Speaking to a group of trade unionists on a conference call convened May 26, Lyndon LaRouche laid out the crisis facing the U.S. population, and what must be done. Beginning with the financial collapse, which has shown itself in dramatic form over the recent weeks, LaRouche moved on to the question of saving the machine-tool sector of the U.S. economy, the heart of the productive economy, which remains ensconced primarily in the auto sector.

If we had acted in the Spring of 2005, when he first raised the alarm about the dismantling and bankruptcy of the auto sector, we could have shifted the situation decisively, LaRouche said in his opening remarks. But Congress backed away from the issue, he noted. LaRouche's solution had just "too much Roosevelt in it" for them. At that point, LaRouche continued as follows:

"Now, here we are: We already have the auctioning off of whole sections of the auto industry. If that process continues—as it will accelerate, unless we stop it—it will mean not only that we will not have an auto industry, or not much of one; *we will no longer have the capacity to organize a recovery.*

"So, as long as we have the auto industry, as long as we have capabilities represented by it, the machine-tool capabilities of the industry—or the two-thirds we may not need for autos right now, but the two-thirds that can be used to develop railway systems, to develop power systems, to fix the locks on the rivers and so forth, the dams; and to do the other necessary things in terms of infrastructure, which build up the economy the way that Roosevelt did through the Harry Hopkins operations back in the 1930s; we would *lose* that. Which would mean, we'd be back to scratch in trying to start an economy. We wouldn't have what's called a "surge capacity" to rebuild the economy. Which would mean, that our way of life would just disappear.

"So therefore, we're fighting for our way of life as we used to understand it, on two levels: First of all, we face the *immediate* threat of a general financial

collapse—not a depression!—but a collapse of the entire world system: We're on the edge of it now. What you're seeing in terms of hyperinflation in primary materials, what you're seeing in the wild swings in financial markets, are signs of a disintegration of the *entire world financial system*. And if the United States and Europe go, China as a market will suffer; India will collapse, other parts of the world will collapse. That is, the collapse of the United States and Western Europe, would mean a chain-reaction collapse of the entire world system.

You're talking about a holocaust beyond anything that people could imagine in recent centuries: It can happen.

"So therefore, we in the United States, because of our Constitution, have the capability of organizing a recovery, shall we say, Franklin Roosevelt-style. We can do that. Our Constitution has built into it, the authority of government to take the kinds of measures which can organize a recovery. If we organize a recovery for the United States, other countries will then join us, and we can avoid the worst possible catastrophe, and get into a process of recovery.

"Now, if we don't act now, if we don't act in the immediate period ahead, we may lose the opportunity to save this nation, and all that that means. So therefore, the crucial thing now, is to kick some butt, and get Congressmen and others, who are willing in a sense, to do something, but are unwilling to take the first step, and give them the guts, the courage, to move. I know what to do. I've been talking about it enough, I'm familiar enough with it, but we have this reluctance in terms of the political system.

"So therefore, we have to mobilize the forces of the population, the politically active forces, at the county level and up, to move on the Congress, to give them the guts to take the steps which they're probably not averse to, but to take the steps which are needed to save this economy—and actually, to save civilization."