

EIR

Executive Intelligence Review

August 11, 2006 Vol. 33 No. 32 www.larouche.com \$10.00

Will Bush Spring an 'October Surprise'?
Cartelized 'Blobs' Spread Their Economic Control
The Morgan Fascist Coup Plot Against FDR

**LaRouche Asks: Who Is
Behind World War III?**



EIR

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EIR (ISSN 0273-6314) is published weekly (50 issues),
by EIR News Service Inc., 912 Pennsylvania Ave., S.E.,
Washington, DC 20003.

(703) 777-9451, or toll-free, 888-EIR-3258.

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Canada Post Publication Sales Agreement #40683579

Postmaster: Send all address changes to *EIR*, P.O. Box
17390, Washington, D.C. 20041-0390.

From the Associate Editor

Since the start of Israel's bombing campaign against Lebanon on July 12, *EIR* has insisted that just about everybody's axiomatic beliefs about who or what is behind this war, are *wrong*. The "root cause"—as Condoleezza Rice would say—is not Hezbollah; it's not Israel; it's not Iran or Syria; it's not even Bush or Cheney or Tony Blair. The "root cause" is the death agony of the bankrupt global financial-economic system, and the desperation of the synarchist financiers who *control* Bush and Cheney, to stay on top and keep pulling in their "globalized" loot.

In this week's *Feature*, Lyndon LaRouche and Jeffrey Steinberg amplify this point, while adding an intelligence revelation that is exclusive to *EIR*: Bush-Cheney and their controllers are readying a possible pre-election "October Surprise," which could even involve inducing Israel to plant WMD at the Iraqi border, preferably on Syrian territory. These weapons would be "found" in the course of ongoing military operations against Lebanon (and eventually Syria as well), and would provide the pretext for a further escalation of region-wide war. The result, LaRouche warns, would tend to become "a global asymmetric, also nuclear-armed form of World War III."

In this context, our *History* section provides a useful overview of the little-known story of how synarchist financiers acted in the United States during the last Depression: attempting first to assassinate the incoming President, Franklin D. Roosevelt, and then, when that failed, to overthrow his government and replace it with a fascist regime based on Mussolini's.

We also have exciting reports on how the LaRouche Youth Movement (LYM) is deployed internationally to win the battle against the synarchists. Niko Paulson reports on the LYM's interventions in town meetings with Congressmen, to cut through banality and "single issues," and place the vital strategic matters on the agenda. Abdul-Aliy Muhammad reports from Berlin on the LYM's activities in Germany, and the launching of a new Internet radio program, featuring Helga Zepp-LaRouche. And Gretchen Small conveys the revolutionary spirit pervading Mexico now, in which the LYM is playing a vital part, camped out at Mexico City's central plaza with tens of thousands of others.



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Like the little boy in Hans Christian Andersen's famous story, the LaRouche Youth Movement appears to be the only ones left on Capitol Hill who are unafraid to tell the truth. The LYM's organizing has become increasingly focussed on removing the corrupting influence of fascist financier Felix Rohatyn from the Democratic Party.

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As Franklin D. Roosevelt prepared to take office in the late Winter of 1932-33, the U.S. government, much as today, was a captive of a cabal of private financial interests: the London-New York banking axis, whose strategists were the prime sponsors of fascism in Europe. Here is the story of their failed plot to overthrow him and the Constitution, and impose fascism in America.

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Christopher is the CEO of Areva, Inc., a nuclear supplier. He was trained in the nuclear Navy and has more than 30 years of experience in the commercial nuclear industry.

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Academician Galimov is the director of the Vernadsky Institute of Geochemistry and Analytical Chemistry in Moscow; he is vice president of the International Association of Geochemistry and Cosmochemistry; a member of the Advisory Commission of the Academy of Sciences on the Cosmos; and editor of the journal *Geokhimiya*.

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Who Is Behind World War III?

by Lyndon H. LaRouche, Jr.

August 2, 2006

The renowned psychoanalyst Bruno Bettelheim once explained, there are some slaves who, then as now, regarded their chains and rags as ornaments to be worn with pretense of pride. Today, the slavish mind says, "Since the system will never change, we can only influence our slave-master (the predators controlling the Democratic Leadership Council or others), by trying to influence that beast from beneath, and take his donations of faith-based-initiatives money when we can." Therefore, now is the time for currently leading political figures of much of the world to stop repeating the silly sophistries of the idiots whispering at their elbows, and, instead, to face the reality of the current global situation.

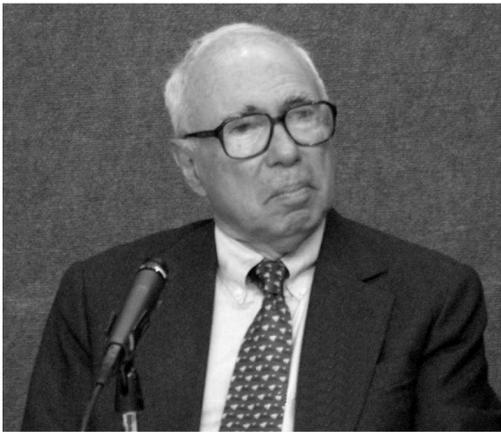
Consider the following puzzle:

The policies of the current U.S. government are being dictated by those who intend to have an immediate further outbreak of war, with the objective of eliminating all national sovereignties, including that of the U.S.A., by methods of so-called "globalization." This is being directed by the international financier circles which, typified by that same past Synarchist International's Felix Rohatyn of today, are already working to destroy the U.S. from within.

What then should we say of the idiots, including leading circles in Europe, who are reporting that the present impulse toward a form of World War III characterized by nuclear-weapons-enhanced global asymmetric warfare, is an expression of "U.S. Imperialism"? Could any sane person, under these conditions, actually believe that the U.S. government, which is about to be taken over by a foreign occupying power represented by Goldman Sachs's modern copy of Hjalmar Schacht, U.S. Treasury Secretary Paulson, is the imperial power behind the intent to destroy itself?

It is time to provide the relevant protective camisoles for the representatives of that brainwashed Baby-Boomer booboisie (Fr.: Bo-Bo's) who betray their foolishness by babbling the tell-tale mantra of "I don't believe in conspiracy theories."

As everyone who is not either locked away, or mentally short-handed, knows,



EIRNS/Dan Sturman



In a debate with Lyndon LaRouche in 1971, Abba Lerner stated that Hitler would not have been “necessary” if the policies of his Economics Minister, Hjalmar Schacht (shown here, far right) had not been opposed by the German Social Democrats. That would be like saying today, observes LaRouche, “that if the Democratic Party would embrace the policies of Felix Rohatyn [inset], a presently threatened fascist tyranny in the U.S.A. would not be necessary.”

the current drift in world policy has been toward what is called “globalization,” a scheme otherwise known as “The World Trade Organization.” The stated purpose, and effect of these schemes is to drive down the per-capita income of virtually every part of the world, except the personally-worthless-but-super-rich backers of the intellectually challenged President George W. Bush, Jr. and their likenesses. This goal is supposed to be brought about, by destroying investments in capital-intensive modes of scientific and technological progress in agriculture and industry, and shifting production to virtual slave-labor regions. This, already, is exactly what has been done to ruin the U.S.A. and the lower eighty percentile of its family households, since the radical changes made during 1971-1981, by the combination of a floating-exchange-rate system and the savage deregulation launched under the Trilateral Commission.

Although the relevant evidence has been published extensively in numerous locations, it is necessary to present the essential strategic features of the case, summarily here, as follows:

The Strategic Issue Today

Go back a few decades, to the time when the concerted personal attacks on me by the circles of the Congress for Cultural Freedom began. These were the same circles associated with the American Family Foundation, the Henry “Scoop” Jackson version of what is presently George P. Shultz’s Committee on the Present Danger, and the Mont

Pelerin Society.

The scene was Queens College, New York. The occasion was a late 1971, widely publicized debate between challenger Lyndon H. LaRouche and the putative dean of Keynesian liberal professors in the U.S.A., the specially appointed extraordinary professor at that institution, Abba Lerner. Abba Lerner was otherwise notable at that time as a key associate of Professor Sidney Hook.

The general subject of the debate was my September 1971 challenge to the putative leading economists of that time, in which I had publicly challenged all of them to defend themselves against my charge that the events of August 1971 had exposed the lot of them as virtually “Quackademics.” The premise of my charge against that ration of the academic community, was that they had either denied, or evaded the event which I had forecast, a collapse, probably to occur approximately the close of the 1960s, like that caused by President Nixon’s mid-August actions, in collapsing the Bretton Woods monetary system.

Professor Lerner was chosen by the relevant academic circles to take me on.

In response to Professor Lerner’s counter-challenge, my rebuttal was that Professor Lerner’s own policies, as typified by his advice to Brazil, was an echo of the policies of the Hjalmar Schacht who authored the economic policies of the Adolf Hitler regime.

The debate concluded at the point that Lerner almost whimpered his final attempt at rebuttal of my charge of the



CIA

Sidney Hook vowed that LaRouche would never be allowed to debate in an academic forum again, after his clash with Abba Lerner. Here Hook is shown speaking at the opening session of the Congress for Cultural Freedom, of which Lerner was also a leader.

occasion: “But, if the German Social-Democracy had accepted Schacht’s policy, Hitler would not have been necessary”! It was as if to say, that if the Democratic Party would embrace the policies of Felix Rohatyn, a presently threatened fascist tyranny in the U.S.A. would not be necessary.

Indeed, if we look at the role of the direct predecessors of Felix Rohatyn in the world of finance today, we see the echo today of the run-up to the backing of Hitler by circles including the French Synarchist financier circles of Lazard Frères and Banque Worms then.

Professor Sidney Hook, the close associate of Lerner in the leadership of the Congress for Cultural Freedom, said of the debate. “Your man has shown himself to be an effective advocate; therefore, he will never be allowed to intervene” in relevant forms of public policy debate “again.” That threat, and more, was carried out by the circles most readily recognized as Hook’s own Congress for Cultural Freedom, the American Family Foundation, and the Committee on the Present Danger, from that time to the present day. This means that the U.S. Department of Justice was also a collaborator in implementing the threat delivered by “Captain” Hook.

The record shows that it has been the same category of “wealthy families” of the U.S.A., Britain, and France, which had backed Mussolini and Hitler’s Schacht, whose heirs have used their corrupt influence inside the Department of Justice and the courts’ system, in addition to the mass media controlled by those same families’ influences, who have been the higher authority behind every attack on me and my associates, here and abroad, since the time, in 1973, that the Washington headquarters of the FBI, on the official record, choreographed what they intended to be my personal elimination through violent actions conducted under the auspices of FBI assets inside the National Committee of the Gus Hall Communist Party. They will tell you that I am “a bad guy,” but they will

never actually tell you why!

No other individual target of prosecutorial, judicial, and related fraud has been targetted with the persistency, international scope, and resort to sheer corrupt practices by official agencies of government and related assets, as I have been targetted during the thirty-five years since Hook delivered the threat during the close of 1971. The same opinion was given, some years past, in a public hearing, by former U.S. Attorney General Ramsey Clark. There is one principal reason that other individual public personalities have never, during my lifetime, been targetted politically in that way over so long a period of time; the actual reason for this was given as an implied threat by Hook back in 1971. The other critics of current oligarchical policies were, rightly, not considered a serious long-term threat to the cabal of wealthy families which were represented, typically, by the Congress for Cultural Freedom, the American Family Foundation, and the Committee on the Present Danger.

The typical futile “opposition” is never treated seriously, because it prides itself in doing nothing of much significance. Besides, as I have been in a position to know this very well, they can usually be purchased, very cheaply: with a rattle of fear, and a jingle of a small amount of money.

There is no reason to consider those connections as mysterious. What actually nationally leading figure of the Democratic Party today, has shown the combination of knowledge and courage to identify the principal internal enemy of the U.S., today, the circles associated with Felix Rohatyn? If leading Democrats would have troubled themselves to be less attracted by the money associated with Rohatyn’s circles, and more concerned with the evidence that Rohatyn is key to the ongoing internal destruction of the U.S. republic, they, too, would soon be on the hit-list of Rohatyn and his circles today, as I am. The tip-off to the corruption within the leading national circles of the Democratic Party today, is the avowed shift in orientation to right-wing, upper-middle-class social-economic political values, and in virtual disregard of the obligation to defend the general welfare, not with unredeemable sophistries, but with substance.

Know Our Nation’s Enemy!

Go back to the time the Reverend Martin Luther King came to Selma, Alabama. It was not the relevant middle class of the community which welcomed Martin; they tended to shun him. It was the children and the “have-nothings” who were the foundation of the social force which gathered so much of the nation around Martin’s great, emerging leadership, here and abroad. It is not the upper twenty-percentile of the population which will fight for our nation today, except as their ox has first been gored, as the “middle class” segment of the auto workers’ unions have been gored just recently. It is the lower eighty percentile of our family-income brackets, which are the mass constituency—the present situation’s “forgotten man”—on which the political honor of our republic depends in this time of an onrushing, global general break-

down-crisis, as in the roughly comparable situation of the 1932 Franklin Roosevelt Presidential campaign,

In this situation, “single issues” are merely so much diversionary political garbage, fit only for the consumption of “Rove-ing” idiots. Either we force the adoption of the needed changes in law, or our republic is doomed in the near future. As we should be reminded by the wicked carnival of the legislative process now, without a government of the people which forces the legislative process and executive to submit again to the kinds of recovery policies which President Franklin Roosevelt’s Administration most nearly typifies in recent memory, there will be soon no United States Federal Republic, but, at most, a caricature of what was in times past.

The enemy of the U.S. today, is the enemy of global civilization. Despite all shortfalls, and backsliding, the U.S. republic represents today the highest level of quality of design of a true republic, a republic largely, if not entirely, freed from those oligarchical traditions of the vastly inferior form of typical European government: a relatively impotent, parliamentary system submitting to supervision by a so-called independent central banking system. In addition, should there be a sudden formal devaluation of the U.S. dollar, as some fools in the U.S.A. and elsewhere propose, the result would be a general, chain-reaction-like collapse of civilization globally, as a hypothetical collapse of the U.S. economy would be an existential catastrophe for China, among others. The chief problem of the world today is, that whereas the world requires an immediate stabilization of the U.S. dollar now—which could be done if the U.S. had a mentally competent President in the Franklin Roosevelt tradition—with the failure to sweep aside the kind of policies which have led the U.S.A. and western and central Europe into their careening state of ruin today, there is no chance of avoiding a prolonged, planetary new dark age for a generation or more to come.

The enemy is not only the fabulous incompetence characteristic of the current U.S. Bush Administration. The enemy is a feral monster, only typified by Felix Rohatyn and his predecessors of the pro-Nazi Lazard Frères and Banque Worms of the relevant past.

This enemy is not prepared to accept a general, rapid chain-reaction collapse of the world’s monetary systems. It is their intention, and currently ongoing practice, as in the instance of the monstrous negligence of the U.S. Congress in the Delphi case, to bring about a general breakdown-crisis of the world system; but, their intention is also to foreclose on that ruined system, by means of their present process of gobbling raw materials and production capabilities, to create a new world monetary system with stark resemblances to the medieval alliance between Venice’s financier-oligarchy and the crusading Norman chivalry. That threat, is the enemy which civilized nations must unite to defeat, and to crush out of existence.

The present homicidal madness currently spreading throughout Southwest Asia, is an expression of the strategic intention of the supranational financier-oligarchical interests

typified in the U.S.A. by the corrupting influence of Felix Rohatyn over the Congress. The enemy is not a nation, not any nation. The enemy is the evil force of principalities and powers, for which the typical expression is the case of the bankers behind Schacht and Hitler, and their descendants, as typified by Rohatyn today.

So many people, in so many nations, large and small, at both high-ranking and lower levels of influence, are so terrifyingly small-minded today.

We are presently moving, like the fabled lemmings, toward what promises to become, soon, World War III, but of a special, spreading, slime-mold-like asymmetric ruin. As of this moment, there is nothing of much political weight inside, or outside the U.S.A., or western and central Europe, which is standing efficiently in the way of preventing the present U.S.-backed Israeli invasion of Lebanon and prospective early invasion of Syria and beyond. That Southwest Asia situation, is the detonation, and the state of the world is the principal explosive charge.

To understand this situation, we must take into account certain types of recurring moral flaws in the behavior of ordinary men and women, as the case of Pericles’ Athens illustrates: a plunge to doom, from folly to folly, with nothing effective available to stop the pointless insanity! Such were the Seven Years’ War, the Napoleonic wars, and the two World Wars accompanied by orchestrated Balkan wars, then and most recently. Israel, under putative U.S. pressures, has launched itself, like a warhead on an explosive mission in wider Southwest Asia; it can not seem to stop itself from continuing this insane plunge toward self-inflicted doom.

However, this is not a U.S.-directed war. The President of the U.S.A. is a mental case, and the Vice-President is a sociopath, neither notable for much in the direction of human intelligence. They are the puppets of the action, not the willful authors. Like Israel itself, they are destined by their controllers from the same international financier circles directing the DLC, to be “used up” as the customary expendables for warfare are.

The relevant power which we must defeat, is the financier-oligarchy, only typified by Felix Rohatyn, which was behind Hitler earlier, and is the intended winner in a return of this planet to something like that medieval system of Crusades which concluded with the Fourteenth-Century New Dark Age. These forces are to be recognized by their advocacy of “globalization.” That is the enemy; that is the author of the onrushing threat of a modern nightmare of asymmetric World War III.

We must stop that enemy now, while it is still possible to do so.

Our task is to arouse and unite the mass of the population, including both the poor and those not-so-poor who are either capable, or redeemable as a force, to bring about the urgently necessary change, and to defeat the great forces of evil typified in the state of mind of those dupes who defend the lunacies of globalization and a world trade organization today.

The President's Obsession!

by Lyndon H. LaRouche, Jr.

August 3, 2006

Leading circles within the U.S. today are gravely concerned with an apparent, serious disturbance of President George W. Bush, Jr.'s current state of mental health. His obsession with the prospect that a reluctant Israeli government's launching of the current war against Lebanon might provide the Republican Party ticket a much-desired "October Surprise" for the coming November general election, has gone glassy-eyed.

Sane leading figures of both Democratic and Republican party pedigrees, are more or less equally concerned by the danger to civilization generally, and also the U.S. in particular, in the glassy stare they see in the President's eyes.

As I emphasized in a report published this past January, the favored option for Republican Party victory in the coming November mid-term elections depended upon the U.S. ability to induce Israel to plant WMD then in the possession of Israel (probably in Negev desert locations) at the Iraq border, preferably in Syrian territory. So far, the current Israeli invasion of Lebanon has all the relevant hallmarks of an operation intended to accomplish precisely that result.

All the schemes now on the table, for neutralizing the spread of the mounting asymmetric warfare in Lebanese territory, are assured strategic failures at the outset. The only way out is an enforced Israeli withdrawal from all Lebanese territory, and an enforced movement to a general Middle East peace based on drawing in all of the relevant prospective partners from the region, in a commitment to implementation of an equitable general two-state solution for the respective sovereign states of Israel and Palestine. No other solution exists; even that solution is not available, unless the U.S. government commits itself unequivocally to that policy.

It is not necessary to demand agreement to all details of a settlement in advance. Nonetheless, an agreement to begin immediate implementation of an enforced peaceful solution is required, and to do this in no way which impairs the human rights of any of the persons of the respective parties.

The President of the U.S. must accept this option. We are lurching at the edge of not only the worst global monetary-financial-economic crisis in modern history, but the enflamed preconditions for the spread of what must tend to become a global asymmetric, also nuclear-armed form of World War III. We must not fail this time, as the world failed at Munich 1938. The President must give up his glassy-eyed obsession.

Will 'October Surprise' Trigger World War III?

by Jeffrey Steinberg

On Jan. 11, 2006, keynoting an international webcast in Washington, D.C., Lyndon LaRouche issued a pointed warning about the danger of a new Mideast war. He spoke of a possible "fake weapons of mass destruction" hoax, orchestrated by Vice President Dick Cheney and former Israeli Prime Minister Benjamin Netanyahu. LaRouche warned:

"We also have a situation in Israel, which is extremely tricky and dangerous, and it involves Bush, but most specifically Cheney, Vice President Cheney. As you know, Ariel Sharon is very seriously ill, is crippled, and will probably never again participate in a government in Israel. Whether he will live or not, is also in question, given his condition. Or whether he's able to function at all, if he lives, is in question.

"The threat is, that a Benjamin Netanyahu, who is one of the ugliest characters on the Israeli scene, of any significance, is in discussion with the circles of Vice President Cheney. And Vice President Cheney would like to have an attack on Syria, by Netanyahu. And if the Israeli forces in this strike attack into Syria, were to occupy some territory, they would haul some evidence from the desert where the Israelis are holding it, which they created for this purpose, to try to 'prove' that Saddam Hussein had had weapons of mass destruction, but had moved them into Syria. But this 'evidence' would be moved into Syria by the Israelis from the Israeli desert, where it's being housed in preparation for this operation.

"That's what's going on.

"We could have the entire region of Southwest Asia, blow up. And a lot more soldiers being killed suddenly, because of this complication—[more] U.S. soldiers—than there have been so far.

"This is a *grim* situation, in which virtual *treason* by the Vice President of the United States, who is a known liar, threatens civilization, and our civilization here in particular."

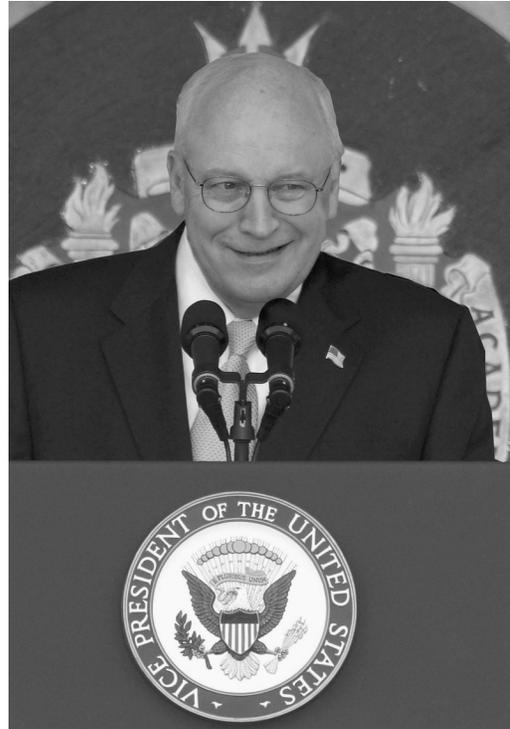
Our Decision To Publish

Now, in recent weeks, *EIR* specialists have received a series of new reports from qualified U.S. and Israeli sources, suggesting that a desperate Bush-Cheney White House is pushing a number of "October Surprise" schemes, all aimed at salvaging the November 2006 midterm U.S. House and Senate elections for the Republican Party—regardless of the fact that any one of these reckless schemes could trigger a planetary plunge into war.

The information arriving on the doorsteps of *EIR* came from distinct and unconnected intelligence circles, with



illinoisleader.com



U.S. Navy/Johnny Bivera; adaptation by EIRNS/Stuart Lewis

Since Vice President Cheney (right) met former Israeli Prime Minister Benjamin Netanyahu (left) at a Colorado conference in June, EIR warned repeatedly that a wider Mideast war was coming. Now, numerous intelligence sources tell us that an “October Surprise” is likely. Said one senior source: “It is totally within the realm of probability that sometime before the November elections, this White House, with Bush, Cheney, and Karl Rove [center], will attempt some kind of desperate stunt like a fake WMD incident. Wasn’t the Iraq War itself the result of just such a WMD hoax?”

proven, albeit not always perfect, track records of accuracy. Those reports, in turn, have been cross-checked with experts from a number of countries and agencies, who have, in some cases, added their own assessments or details. Given this pattern of warnings, the editors of *EIR* concluded that it was necessary to publish this report, with the appropriate caveats stated up front.

For one thing, no Democratic Party candidate, as of the publication of this report, can honestly say that he or she had not been warned about the prospect of such a dirty scheme emanating from the Bush-Cheney-Karl Rove White House. As events careen further and further out of control in the extended Southwest and Central Asia region, particularly in Iraq and Afghanistan, and as the world moves ever closer to a chain-reaction financial catastrophe, the level of desperation in and around 1600 Pennsylvania Avenue will reach earthquake proportions. As one senior U.S. intelligence officer commented on the “October Surprise” prospects, “It is totally within the realm of probability that sometime before the November elections, this White House, with Bush, Cheney, and Rove, will attempt some kind of desperate stunt like a fake WMD incident. Wasn’t the Iraq War itself the result of just such a WMD hoax?”

An Israeli source with close ties to the Kadima Party of Prime Minister Ehud Olmert subsequently warned that the scheme that LaRouche warned of in his Jan. 11 webcast, may be a live feature of Israel’s ongoing bombing and invasion of Lebanon, despite the fact that saner elements within the Israeli military institutions reportedly consider such a planting of

fake WMD evidence on Syrian territory by Israeli forces to be “not credible,” and to carry the risk of highly damaging political “blowback.”

Strange Encounter in the Rockies

The suspicion that the “October Surprise” scheme is live has been further tweaked by the fact that Vice President Cheney and ex-Prime Minister Netanyahu held a now-famous weekend meeting in mid-June, at the Beaver Creek, Colorado conference of the American Enterprise Institute. Netanyahu widely advertised that he delivered messages from Cheney to the government of Prime Minister Olmert, in a session of “ex-Prime Ministers” that he attended immediately upon his return to Israel. Weeks later, Israeli fighter jets were carpet-bombing Lebanon, in preparation for a full-scale Israeli Defense Force ground invasion, that has already struck into the Bekaa Valley of eastern Lebanon, near the Syrian border.

Regional sources warn that, while it may be the case that neither Israel nor the U.S. government intends to see the Lebanon war extend across the border into Syria, the longer the Israeli military action inside Lebanon goes on, the greater the likelihood that Israeli forces will extend the operations into Syrian territory. Were Syria to be drawn into the war by such Israeli actions, it is uncertain how long Iran would remain on the sidelines. Then, a general Mideast war would be unstoppable.

A recent report by Deutsche Bank warned that any Middle East conflict that extended to Syria and Iran would almost

certainly lead to the shutting off of the Strait of Hormuz, the main route of oil tankers from the Persian Gulf. And this would lead to \$200-a-barrel oil.

Other ‘October Surprises’

One very reliable U.S. intelligence source warned in recent weeks that another “October Surprise” scheme is also being pursued by the Cheney circles. This operation involves Iranian arms dealer and notorious Iran-Contra fabricator Manucher Ghorbanifar. According to the source, during the Iran-Iraq War of 1980-88, Iran briefly occupied an Iraqi island, and confiscated Iraqi chemical weapons, which they were able to reverse-engineer. Now, Ghorbanifar is reportedly attempting to obtain several of those “Iraqi” chemical weapons cannisters, to deliver to U.S. Special Forces units inside Iraq, who would plant them inside the country, and “discover” the Iraqi WMD at an appropriate moment, just before the U.S. November elections. Ghorbanifar is reportedly scheming to get \$25 million for delivering what will be labelled relatively new “Iraqi chemical weapons.”

Yet another scheme to bail out the Republicans in November has been reported from an American intelligence specialist with close ties in Pakistan. The source stated that the United States has now all but given up on the Hamid Karzai government in Afghanistan, which is facing a mounting insurgency from the Taliban, who have now struck deals with some of the country’s leading drug lords (Afghanistan is producing an estimated 90% of the world’s opium). According to the source, working through the Pakistani Inter-Services Intelligence (ISI), the Bush Administration is signalling a willingness to allow the Taliban to come back into power—in return for the elimination of Osama bin Laden and the number two al-Qaeda leader, Ayman Zawaheri.

European and Arab diplomatic sources contacted through EIR’s European offices, expressed their own belief that the Bush White House, particularly Cheney and Rove, could be counted on to attempt a desperate “October Surprise.” One German Middle East expert also cautioned against taking too narrow a view of the potential targets. He warned that events in Ibero-America offered another target of opportunity for such mayhem, particularly given the instability in Cuba that could result from the death of the ailing Fidel Castro, and ongoing plans to blow up the situation inside Venezuela, where President Hugo Chávez is the man the Bush Administration loves to hate.

Ironically, the danger of a major asymmetric warfare attack inside the United States is also growing by leaps and bounds—not because of some White House wet dreams about a “new 9/11” to rouse the American people behind George W. Bush—but because of the rapidly accelerating hatred of the United States throughout the world, particularly the Muslim world, as the result of the perception that Washington is steering Tel Aviv’s murderous “shock and awe” assault on sovereign Lebanon.

Stop World War III! LaRouche Doctrine for Southwest Asia

by Helga Zepp-LaRouche

Mrs. Zepp-LaRouche is the chairwoman of the Civil Rights Movement Solidarity party (BüSo) in Germany. She released this statement on July 31, and it is being circulated as a mass petition, gathering signatures of support. The BüSo is currently campaigning in the city elections in Berlin on Sept. 17, with a slate of candidates headed by mayoral contender Daniel Buchmann, a member of the LaRouche Youth Movement. For more information, see www.bueso.de.

The world is on the verge of plunging into a third world war, and this war threatens to be of a much more fearsome character than even the previous two. This time, it would be a global asymmetrical war, which would be carried out with weapons of mass destruction and methods of irregular warfare. Neither the leading global institutions nor the world economy would be able to cope with the results of such an escalation, and so a collapse of mankind into a new Dark Age would ensue.

It is high time that governments summon up courage and intervene. They must make it clear to President Bush, that his transparent game of supporting the war against Lebanon, has brought Israel onto a suicidal course. A spiral of violence will be put into motion, which, if it continues, can only end in Hell.

The most intelligent thing that Israel could do now, would be the immediate, unconditional withdrawal from Lebanon. Don’t forget that Hezbollah came into being as a reaction to the Israeli invasion of 1982. Therefore, it’s not a question of waiting around for cease-fire negotiations, but rather to stop the acts of war immediately, and then to place on the agenda the development of a comprehensive peace plan, which would include recognizing the existence of Israel and Palestine as two equal states. The Palestinian state must be politically and economically viable and not conceived as a new “bantustan.”

The sources of the conflict between Israel and Lebanon, and Israel and Syria, must be cleared up: that is, the territory occupied by Israel (Shebaa Farms, the Golan Heights) must be given back; and a just solution for the hundreds of thousands of Palestinian refugees must be found. Without this

resolution of the historic sources of conflict, there can be no solution.

The LaRouche Doctrine

Back in April 2004, the American opposition politician Lyndon LaRouche had put forward a plan, which alone offers a realistic perspective for a lasting peace in Southwest Asia.* Since then, the situation in Iraq and Afghanistan has grown catastrophically worse: In Iraq, the attacks on the hated foreign troops have escalated, while civil war is smoldering; and in Afghanistan, a massive counteroffensive by the Taliban is taking place, which, among other things, makes the situation of the German Army, the Bundeswehr, increasingly untenable. Thus this plan for the region as a whole is today more urgent than ever before. The LaRouche Doctrine contains the following programmatic points:

- *A comprehensive peace plan must be built on the principles of the Treaty of Westphalia, which, in 1648, ended the 150-year period of religious wars that had culminated in the Thirty Years' War. This peace treaty was introduced on the basis of the notable principle, that any foreign policy must be governed by "the Advantage of the Other," and based in international law.*

- *For the Near and Middle East, this means concretely, that the region encompassing Central Asia, Iran, Afghanistan, Iraq, the Gulf States, Syria, Turkey, Israel, and Palestine must be treated as one common region, for which a common plan for economic development must be worked out.*

- *All foreign troops must immediately be withdrawn from Iraq and Afghanistan. The United Nations must help the Iraqi and Afghan people to put sovereign governments in place. Particularly in the case of Iraq, its neighbors must be involved—Iran, Syria, Turkey—and with a special role for Egypt as well, since many of the tensions in Iraq have a character that transcends national borders. The goal must be to create a region of stability for all. Such a perspective will only be credible in the Arab world, if the international community seriously guarantees a two-state solution for Israel and Palestine.*

- *The unconditional requirement for the success of this plan is economic development of the entire region that will benefit all. Anyone who has flown over these states knows, that you can fly for hours and see nothing but desert. Water resources are much too scarce. The chief task, therefore, is the production of potable water by desalination, to make possible vast new irrigation facilities. Therefore, the inherently safe high-temperature reactor, which has been developed by Professor Schulten in Jülich, and is today being built in China and South Africa, is the optimal solution.*

Since the neo-con administration in Washington has brought the U.S.A. to an historical nadir in prestige, it is indispensable that this Southwest Asia Plan be linked with the

name LaRouche. In the text itself, it states: ". . . no such policy proffered by the U.S., even if it followed to the letter what has been said here, would be accepted among the peoples of the region, unless the U.S. government were to identify such a declaration as the adoption, by name, of this as a 'LaRouche Doctrine.' No other notable political figure of the U.S. would be capable of enjoying the trust of the Arab and related parts of the world, for this purpose, at this time."

Since the global financial system is also on the verge of a total collapse, it is all the more crucial that the question of reconstruction of the economy be placed on the agenda. The implementation of the LaRouche Doctrine is part of that.

The governments of the world must demand that the U.S.A. stop its policy of supporting Israel's suicidal course. And they must finally draw the conclusions, that the Iraq War was based on lies—and the Israeli government has evidently also swallowed lies, if it believed that Hezbollah would be defeated in five days. In Washington, there have been rumors circulating for a while, that the White House is putting pressure on Israel to prepare a so-called "October Surprise." According to this plan, shortly before the U.S. Congressional elections in November, "Iraqi weapons of mass destruction" would be "discovered" in Syria, which would then provide the pretext for a military attack against Syria. Governments, including the Federal government in Berlin, had better not first discover such lies, when "the child has already drowned in the well."

In the U.S.A. itself, there are voices criticizing the present policy of the Bush Administration, such as the Democratic Congressman Murtha, the Republican Senator Hagel, or the former National Security Advisor of Presidents Ford and the senior Bush, Brent Scowcroft.

In a commentary in the *Washington Post*, Scowcroft recently wrote: "This latest in a seemingly endless series of conflagrations in the region may just present a unique opportunity to change the situation in the Middle East for the better for all time. Let us not shrink from the task." Scowcroft's conclusion is important, that the source of the current crisis is not Hezbollah, but "the tragic conflict over Palestine that began in 1948."

If all sides stick to the principle of retaliation, there will be no way out, and the spiral to global asymmetrical war will escalate. And also, while the horror and anger in the Arab world is completely understandable, over the death in Qana of children and women who were refugees seeking shelter in this village, so must military action be stopped for the good of all the children in the region. Children are always innocent.

Naturally, only a change in the policy of the U.S.A. can restore peace. That does not mean, however, that in Europe or Southwest Asia there is nothing that can be done to advance this process. The best way, is to bring the LaRouche Doctrine into the widest possible public discussion, and thereby make clear to the whole world, that an alternative does exist to a third world war.

* See *EIR*, Aug. 30, 2004.

World Corporations: The Globalization ‘Blob’ Spreads Its Economic Control

by EIR Economics Staff

We now face an unprecedented degree of private global control over key sectors of industry, agriculture, energy, and raw materials, and even sovereign government functions—from military logistics to health care to roadways. Globalization is no longer in the “trend” stage. It has reached the point where nations are dependent on a narrowing base of production, under ever more privatized control. This comes about at a time of price hyperinflation, and impending crash of the monetary/financial system itself, following decades of “casino economics.” Two features of the situation must be fully understood: the nature of the globalizers; and the extent of their control.

The principal figures and networks dominating various critical sectors of economic activity and undercutting governments, trace back, literally, to the same financial circles of the 1920s and ’30s cartels and trusts that backed the fascist regimes in Europe. Centered in Anglo-Dutch/French banking syndicates—and called by U.S. 1940s wartime intelligence, the “Synarchist International,” these power networks were not dismembered after World War II.¹ Today their successors have the same purpose as back then: To possess command control over the means of existence. The motivation is not simply greed and venality, but to destroy independent nation states. Among the most public and political faces associated with this Nazi economics over the past decades are George Shultz and Felix Rohatyn.

Lyndon LaRouche described these networks as, “the blob,” in a July 23, 2006 paper, “Stop Being a Dupe! Know Your Actual Enemy,” written to stress who stands behind fomenting wars and chaos, now worsening in Southwest Asia. He wrote, “The international financial circles which Rohatyn typifies, are currently destroying both the institutions of the sovereign nation-state itself, and also the large industrial and agricultural interests of national governments.” These circles “are the greatest potential threat to the takeover of the entire world by a kind of world government created and run by gigantic blobs of Venetian-style financier-oligarchical usury.”

1. Among the latest of the dossiers published by *EIR* on these networks, are these: “Rohatyn’s Fascist Roots Are Showing” (*EIR*, June 30, 2006); and “Stop Being a Dupe! Know Your Actual Enemy,” by Lyndon LaRouche, with companion documentation by Jeff Steinberg, “Fact Sheet: The Enemy Is Oligarchism” (*EIR*, Aug. 4, 2006).

Extent of Control

The package we assemble here is intended to provide summary documentation of the extent and patterns of control and wrecking operations by the financier-oligarchical “blob” in a few select areas: manufacturing—auto and steel; agriculture—grain trade and food processing; industrial metals—copper; and privatization of government infrastructure assets and services. In upcoming issues, we will feature more coverage and in-depth background of this cartelization and privatization.

Most people have a sense of the menace of the “blob” by their experience with gas price hyperinflation and blatant profiteering by “Big Oil.” Even the old days of the “Seven Sisters” is nothing compared to now. In July, it was announced that five of the world’s largest oil companies—BP Plc, Chevron Corp., ConocoPhillips, ExxonMobil Corp., and Royal Dutch Shell Plc—reported a combined profit for just the second quarter of 2006, of \$34.6 billion, up 36% from same time last year. Meantime, gasoline prices are soaring everywhere. In the United States, the price of gas at the pump has more than doubled in five years.

Bipartisan actions are active in the U.S. Senate and House of Representatives this summer, to impose windfall profits taxes. “I believe that we have allowed too many companies to get together to reduce competition,” said Sen. Arlen Specter (R-Pa.) in July.

But, Mr. Senator, the Big Picture is far more sinister.

The Re-creation of The Steel Cartel

The same French/Anglo-Dutch Synarchist financiers who in 1926 set up an International Steel Cartel to control and regulate global steel production, and to destroy the authority of sovereign nation-states, have increased their effort to recreate a gigantic cartel, far bigger than that of 1926. The 1926 cartel was steered by Hitler-handlers Baron Kurt von Schröder and Bank of England Governor Montagu Norman. Today’s Syn-

archist cartel front man, Lakshmi Mittal and his Mittal Steel—financed by Goldman Sachs and Anglo-Dutch banks—reached tentative



agreement June 26, 2006 to purchase the Luxembourg-based Arcelor steel giant, Europe's largest steelmaker. Pooling Mittal's 2005 steel production of 63 million metric tons, with Arcelor's 2005 production of 46.7 million metric tons, the merged company, Arcelor-Mittal, has an annual steel production of 109.7 million metric tons—the first company ever to produce more than 100 million metric tons. By itself, Arcelor-Mittal represents one-tenth of world steel production.

Now, the Synarchists are upping the ante. On Aug. 3, 2006, in a commentary for the *Wall Street Journal*, prominently displayed on the editorial page and entitled, "Big Steel," Lakshmi Mittal laid out the marching orders for cartelization, which he politely called "consolidation." He stated that Mittal Steel's takeover of Arcelor points to "the benefits of consolidation and globalization." He boasted that he first called for consolidation in 1998, when the steel industry consisted of smaller companies, and "was still highly nationalized." But during the past eight years, "Considerable consolidation has taken place, mostly in Europe, the U.S., and Japan. A number of multinational companies have been created." Pronouncing the death of steel companies that are loyal to nation states, Mittal propounded that within less than 10 years, the industry will consist of behemoths producing 150-200 million metric tons per annum each. Small to medium-sized firms, that are the backbone of nations' manufacturing, will be swallowed up or squashed.

This gets to the nub of the matter. There are in fact two steel communities in the world. The first is that of China and India, and it is growing, with China producing 349 million metric tons of steel in 2005, three times America's output. On the other side, in the second community, there are the steel industries of the formerly industrial nations, and some of the developing sector. Between 1990 and 2005, world steel production as a whole rose from 733 million metric tons to 1.106 billion metric tons, an increase of 374 million metric tons. But China and India accounted for four-fifths of that period's increase. In fact, without the production of China, India, and a few other countries, predominantly in Asia, world steel production collapsed over those 15 years.

The predatory merger and acquisition process has been most intense within the former industrial countries, where production is contracting, and within some developing nations. To get an accurate picture of the cartelization process, leave out China's steel output for the moment. In 1995, the world's 15 largest steel companies owned 29.0% of world crude steel production (not counting China's production); by 2005, the 15 largest steel concerns owned and dominated 47.5% of world crude steel production, outside China). Over ten years, their share exploded from less than a third of the

world, to nearly half.

Among the major plundering steel firms are Mittal-Arcelor, Corus (the result of a 1999 merger of the largest steel firms in Britain and Netherlands, forming an Anglo-Dutch pirate), and U.S. Steel.

Moreover, the Synarchy's marauding steel concerns are casting a hungry eye on China, the epicenter of world steel capacity growth, seeking takeovers. This has Chinese officials concerned. In the first quarter of 2006, Lazard investment bank's New York branch—of the global Lazard firm that is at the heart of Synarchy, and has been involved in steel takeovers—opened up an office in China, to facilitate such takeovers in general.

The Davignon Plan. The Synarchists formed the first *Rohstahlgemeinschaft*—the International Steel Cartel—in 1926. The initial participating members were Germany, France, Belgium, Luxembourg, and the Saar; eventually steel companies from Great Britain and the United States joined. This cartel played a pivotal role in producing for Hitler's war machine, and other evils. Some of the most important elements of the steel cartel were kept intact after World War II, despite U.S. officials' heated efforts at the time to block it from being reassembled.

In 1977, Count Etienne Davignon, as Commissioner of Internal Markets for the European Economic Community, introduced the Davignon Plan for the steel industry. It launched the plan to recreate the cartel, with provisions for cartelization, and for smashing up steel capacity. This was instituted in stages.

Representative of what happened, from the mid-1970s, 50 million tons of steelmaking capacity in the United States was eliminated; the American steel sector's work force was slashed from above 500,000 workers down to fewer than 150,000. The Davignon Plan subjected the steel industry in Europe, and some other countries to the same devastation.

Slicing up and bankrupting the steel sector was the precondition for cartelization, so that there was little resistance. The merger and acquisition frenzy of steel companies started in the mid-1980s; from 1992 onward, it gained great force. As examples: in just four years ending in 2005, Rothschild banker Wilbur Ross, who had no steel experience, built his International Steel Group (ISG) from zero production to 16 million metric tons of capacity, by snatching up firms like the bankrupt Bethlehem Steel of America. This same Ross is in the midst of the destruction of the auto industry today. Likewise, under Synarchist direction, from 1992-2006, Mittal built his company from less than 2.5 million metric tons production, to 67 million metric tons production annually, by acquiring other steel firms. Now Mittal has acquired Arcelor, creating the first 100 million metric tons producing company. The same Synarchist financier forces that had created the International Steel Cartel in 1926, but were blocked from accomplishing their complete objective, are recreating it today. —Richard Freeman

A New GM: 'Global Motors'

At present, only six companies produce close to two-thirds of the world's entire automobile output. In 2005, of the 65.319 million motor vehicles produced worldwide, 40.531 million were produced by General Motors, Toyota, Ford, Renault-Nissan, Volkswagen, and DaimlerChrysler, out of a total of some 40 companies globally. This stands in sharp contrast to earlier decades, when world auto production came substantially from dozens of companies, many of them considered core national industrial assets, and some even directly owned, whole or in part, by their respective governments.

Over the past 10-15 years, the Top Six have carried out a frenzied process of takeovers, jettisoning skilled workers and capacity at each step of the way. Almost the entire auto industries of Sweden, the Czech Republic, Britain, and Australia have been swallowed up, along with important sub-sectors of Japan, South Korea, Spain, Germany, and the United States. Right now, the Proton auto complex in Malaysia, always protected by the state for the national interest, is under threat from duty-free imports by the globalizers.

During this process of cartelization, Lazard shows up prominently as advisor and consultant, along with a few other outfits, part of the international Synarchy. For example, in 1995, Francois de Combret, the managing director of Lazard's Paris office, arranged for then-government owned Renault, to be privatized. In 1999, Lazard spearheaded Renault's taking a commanding 37% stake in Japan's Nissan, since increased to 44%.



Now two of the Big Six—General Motors, the world's largest (14% of world output), and Renault-Nissan, fourth largest (9.5% of world output)—are in talks on merging to form a one-world auto mega-company. Lazard figures directly in their globalizing strategy; in 2005, Lazard, and also Felix Rohatyn personally, were consultants to Delphi, GM's parts supplier, spun-off from GM in 2000, and now proceeding in a radical down-scaling since declaring bankruptcy in October 2005. In July, Delphi hired Rothschild Inc.—Rohatyn is a director—to advise on how to sell off its 23 auto plants in the United States.

—Richard Freeman, Paul Gallagher

Copper Monopolization And Hyperinflation

The copper mining and smelting industry may be on the verge of a super-merger, capping a decade of escalating mergers and five years of hyperinflating prices; one which would create a dominant Western Hemisphere mega-company controlling about 25% of world copper production. The intensifying concentration of control of copper since 1995 has already seen the emergence of five global copper producers with 56% of the world market for mined copper among them.

These five are Codelco of Chile; Grupo Mexico; Arizona-headquartered Phelps Dodge; the Australia-headquartered British Crown mining giant BHP Billiton (which, along with its twin tower Rio Tinto, also controls half of the world's iron ore production); and Australia-headquartered Broken Hill Mining.

Phelps Dodge has been at the center of a furious merger drive over the past few months, capping ten years in which at least one major international combination of copper mining and smelting companies has occurred every year. In March, Inco of Canada started a bid to take over Falconbridge of Canada, which had just merged with another Canadian, Noranda. While this was going on, Phelps Dodge in June moved to buy the entire Canadian combination. As of July, it appeared that Noranda/Falconbridge's key stockholder groups were instead selling the company to Swiss-based Xstrata Minerals Corp., leaving Phelps Dodge to take over Inco (although another recent Canadian merger, Tiek-Cominco, is also still bidding for Inco). Then in late July, reports surfaced that Grupo Mexico—the global number three miner, which has recently acquired U.S.-based mining companies ASARCO and Southern Copper, and has just crushed a strike and a miners' union in Mexico—had hired U.S. investment bank advisors for a takeover bid for Phelps Dodge—the global number two and expanding. And in August, into this escalating copper merger mania are likely to step the world's two biggest overall mining companies, Rio Tinto and Brazil's CVRD.

The hemispheric monster that emerges from this fray is likely to control a quarter or more of world copper mining, and create a situation—approaching the super-concentration in the oil industry, or in iron ore production—in which just four copper mining companies would control 60% of the world market.

Three characteristics dominate this process: copper production has shifted overwhelmingly into Chile during the era since General Pinochet's coup; world production of copper

RIO TINTO

has been brought to stagnation in the 21st Century; and prices have been hyperinflated by the way shareholding interests engineer the costs of mergers.

A glance at statistics from the International Copper Study Group shows the first characteristic (mmt is million metric tons, kmt is thousand metric tons):

Country	1970	2003
United States	1.6 mmt	1.3 mmt
Zambia	750 kmt	400 kmt
Chile	750 kmt	5.1 mmt
Canada	650 kmt	600 kmt

Indonesia has, over that time, joined the United States in the second rank of producing country-sites; Australia and Peru have joined Canada in the third rank, where Europe and Russia have remained. But Chile's dominance has become overwhelming—about 37% of world production—and shows the magnet-swing of globalization to low wages. Despite the same technical level, a Chilean union miner earns less than half as much as an Arizona miner, and the big Chilean mining complexes are full of “subcontract workers” who make half as much as the Chilean unionists. All the largest global copper companies have increasingly bought into Chilean production, with a key turning point having been Pinochet Chile's 1982-3 debt crisis and its “debt for equity swaps solution” to it. The top five global producers now control 90% of Chilean production.

Meanwhile, world copper production growth slowed to 2.2%/year in the 1990s, and then to only 2.0%/year since 2000; world mines production actually fell in 2005 and may just recover to the 2004 level of about 15.4 mmt in 2006. And since 2000, there has been a four-and-a-half-fold increase in the commodity price, from about \$1,800 per metric ton to about \$7,500 now. No significant new capacity additions internationally are expected by “analysts” until 2010; the United States has seen none for more than three decades.

The global concentration effects both the production slowdown and the potential for hyperinflationary speculation in futures. An example: measures of “producer discipline” (consisting of taking mines out of production and of cutbacks at mines in production, totalled 470,000 mt dropped in 2002; but in 2003 and 2004 it was over 600,000 mt both years, and in 2005 reached 740,000. Worldwide capacity utilization fell during 2000-05 from 93% to 85%.

As the corporate mergers have accelerated, the hundreds of millions paid for an acquisition in the late 1990s, became several billions after 2000, and have jumped to \$10-20 billion mergers now. The acquired companies are larger; but also, banks and shareholder groups are *setting a much higher price on the same, stagnating copper production and reserves*. This sets the target higher and higher for the hedge funds speculating on the futures markets. Phelps Dodge, which is in the center of the current moves toward a dominating global giant,

has two dominant stockholders, both British. Barclay's Bank owns 8.8% of Phelps Dodge stock, and Atticus Partners (run by Baron Nathan Rothschild) owns 6.1%.

—Paul Gallagher

‘Global Sourcing’ Means Food Cartels

The domination today of worldwide agriculture commodity trade, food processing and distribution, and even seedstocks, by a small number of transnational corporations, is extreme. Cargill, the private multi-national headquartered in Minnesota, and Archer Daniels Midland (ADM), account for over 75% of all the 244 million grain tonnage traded between nations each year, on average. Cargill alone accounts for more than half. Cargill, ADM, and Bunge account for 70% of the soybean processing in Brazil and Argentina.

A tight circle of joint ventures also controls bio-engineered seeds, involving Cargill/Monsanto, and DuPont/Pioneer Hi-Bred.



Cargill and others in the meat cartel, including Smithfield, Swift/ConAgra, Tyson, and Pilgrim's Pride, dominate global meat processing, accounting in the United States for from 60% to over 80% of meat products. Dairy processing is concentrated globally in a cartel of Unilever, Nestles, Kraft, and Danone.

In the United States, the fluid milk supply has come to be dominated by Dean Foods/Suiza, headquartered in Texas, formed from a dazzling series of buy-outs since the 1990s. In New England, for example, fully 70% of milk processed for fluid consumption is now done by Dean Foods.

The small circle of food retailers globally is headed by Wal-Mart, then France-based Carrefour—the number one food retailer in Brazil and Argentina.

The origins of Cargill, and other infamous cartel names present and past—including Continental Grain (acquired by Cargill), Louis Dreyfus, and Bunge, trace back over the past century and a half, linking directly to the legendary “merchants of grain” wing of international Synarchy.

—Marcia Merry Baker

'PPP'/Privatization Eliminates Nation-States

Internationally, there are now thousands of cities and other localities of all kinds, as well as states and nations, selling off ownership or letting long-term leases on public works—water systems, highways, housing, hospitals, etc., or otherwise privatizing their government operations—from prisons and paperwork, to even basic military functions. Some quantification of this process is given in the yearly reports by the Reason Foundation, set up in 1978 to promote and keep score on the takedown of government (See box). A few examples from its *Annual Privatization Report 2006*, released in July:

- **Transportation.** Today, 40 nations have privatized their air traffic control systems, beginning with New Zealand in 1987. Over 100 medium-sized or major airports worldwide are leased or owned commercially. In the United States these include Indianapolis, Orlando-Sanford, in Florida, and Burbank, California.

In Europe: Bristol and Luton, England. In Germany: Luebeck, Frankfurt and other airports. The Copenhagen Airport in Denmark. In Australia, the Sydney Airport.

In Mexico, in February 2006, the Federal government held an initial stock offering for its remaining stake in one of three privatized airport companies, the GAP—Grupo Aeroportuario del Pacifico.

- **Municipal services.** The average American city today has privatized 23 of its 65 basic city services—trash collection, road upkeep, water/sewer treatment, etc. An estimated 1,000 U.S. cities have privatized all or part of their water systems. Of 1,400 cities and counties surveyed in 1997, 90% of the governments said they had contracted out services that, as of five years earlier, were still performed by the governments, according to the International City/County Management Association. Internationally, the United Kingdom leads the way. Since the mid-1990s, 130 “government” hospitals and more than 100 schools have been turned into private institutions.

- In 120 developing nations, there were 7,860 privatization transactions carried out, of all kinds, between 1990 and 2003, involving some \$410 billion, according to a 2005 estimate by the World Bank, a major enforcer of privatization over the past 40 years. Under the Congress Party in India, some \$30 billion of privatized projects, once strictly government-run, are now approved.

The pitch involved is simple: cash upfront, in exchange for ending sovereignty. Among the leading companies active are Lazard, Lehman Brothers, GoldmanSachs, Macquarie,

Vivendi, Suez, Veolia, Bechtel, Cintra, and Halliburton. Hot hedge fund flows are going into formerly government infrastructure, positioned for looting from tolls, rates, and vital services.

The leading promoter of this sell-off process is Felix Rohatyn, senior officer of Lazard Frères from the 1960s to the 1990s. In February 2006, Lazard Asset Management formed its own Lazard Global Listed Infrastructure entity, focussing on making a killing off “North American infrastructure stocks,” coming available through privatization of public works.

Lazard (with three partnerships) works closely with Macquarie Infrastructure Fund, that as of March 31, 2006, had funds in 95 projects in 23 countries.

Toll Road Takeovers. The hottest takeover targets at the moment are toll highways. In North America in 2005-2006, toll facilities privatized include: the Chicago Skyway (\$1.83 billion, for a 99-year lease); the northern Indiana Toll Road (\$3.85 billion for a 75-year lease); the Dulles Greenway Toll Road (\$620 million for a lease over 50 years). All of these were sold to consortia involving Macquarie Infrastructure Group, which already owns the Detroit-Windsor Tunnel.

In Europe, this process is more advanced. During 2005, France sold off 4,360 miles of motorway. Now Macquarie is lined up with a syndicate to acquire the Channel Tunnel, originally an Anglo-French venture. In Britain, Macquarie already owns part of the M-6 Motorway, and many other toll roads.

In Brazil, there are more than 9,000 miles of tollway run privately, under 36 concessions.

Dozens more public highways are sought for privatizing worldwide. Some are takeovers of public assets for cash; and others are DBFOs, meaning, Design-Build-Finance-Operate, in which the government grants rights to privatizers. For example, in 2005, British Columbia granted the Macquarie/Kiewit team a concession for the \$C1.5 billion “Sea-to-Sky” roadway project.

The decade of the 1980s gave major impetus to this international assault on local and national government, by the Thatcher government’s deregulation and privatization “model,” and by initiatives during the Reagan Administration (1981-1989). Under Thatcher (1979-1990), government assets were carved up and sold-off in whole or part, including British Steel, British Coal, British Airways, Britoil, British Leyland—the auto complex, and also systems for electricity, gas, water, telephone, and seaports, and airports. Thousands



of jobs were eliminated. In addition, radical deregulation was implemented across the board; for example, in the livestock feed- and food-processing sector, with changes that directly contributed to the outbreak and spread of Mad Cow disease.

In the United States, significant deregulation had already been pushed through in the 1970s—rail, trucking, HMOs—but added effect came in 1987, with President Ronald Reagan’s Executive Order 12607 of Sept. 2, establishing his Commission on Privatization. Prison systems were the most sweeping U.S. privatizations in the 1980s, especially after the Federal government in 1984 gave approval for prison-labor produced goods to cross state lines in 20 states.

Then in 1992, President George Bush signed Executive Order 12803 on April 30, for an at-large “Privatization Initiative.” The same year, Defense Secretary Dick Cheney com-

missioned a study by Halliburton—still classified—on how to proceed to privatize functions of the military. Considered too radical at the time, it later came into effect, resulting today in the whole swarm of PMCs (Private Military Corporations) now infamous in Iraq. (Within 18 months after leaving office, Cheney went to work for Halliburton).

Among the strategic U.S. assets sold off during the 1990s were the Elk Hills Naval Petroleum Reserves (\$3.6 billion), the U.S. Enrichment Corp. (\$3.1 billion) and dozens of military base functions. “Re-inventing government” was the cover-story for this process, whose point person was Vice President Al Gore.

Today, the preferred jargon for the subversion of nation-states is: “public-private partnerships”—PPPs.

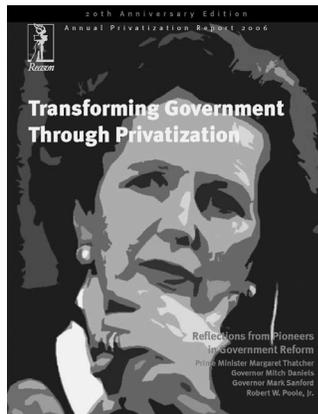
—*Marcia Merry Baker*

Financiers’ Foundation: Privatize P.O. and TVA

The Reason Foundation was set up in 1978 in the United States by a network of financial syndicates out to undercut nation-states. In 1985, for example, in parallel with the Thatcher government’s radical deregulation in Britain, the Reason Foundation was instrumental in holding a privatization conference for Reagan Administration officials. In 1987, Reagan signed an Executive Order setting up a Commission on Privatization; also that year, the U.S. government sold off its share in Conrail—marking a new era in the privatization of U.S. government assets and functions. In turn, these 1980s Transatlantic privatizations gave impetus to the worldwide push for global government sell-offs, and cartelizations of industry, agriculture, natural resources, and infrastructure.

For 20 years, the Reason Foundation has issued yearly status reports on this process. Its latest one came out in July, the “Annual Privatization 2006.” This year’s 230-page report notes that, “recent decades of privatization” have been successful, but before that things were bad. Wrote editor Leonard Gilroy:

For much of the 20th Century, the trend was clearly in the opposite direction. This period saw the rapid



expansion of state control over the lives of citizens. Prominent political ideologies like socialism and communism spread the belief that society’s needs and problems are best addressed through government intervention. Statism even spread to capitalist economies; for example, the British government nationalized its coal, gas, rail, shipbuilding, and steel industries, and the United States nationalized the facilities of the Tennessee Valley Authority and adopted a number of government-run social welfare programs (such as Social Security, Medicare, and Medicaid) under the New Deal and Great Society Programs. As governments grew, they increasingly constrained commerce and free enterprise, consumed an ever greater share of personal and business income, and restricted private property rights and personal freedoms.

The tide began to turn in the latter half of the century as the folly of this approach became apparent. . . . The concept of privatization began to flourish.

Also from that same *Annual Privatization Report 2006*, in E.S. Savas, “Privatization: Past, Present, Future”:

[There are still many choice U.S. targets for privatization.] “At the federal level, the greatest opportunities lie in continuing the A-76 competitions [outside bidding for takeover of government], activities deemed commercial, and even more important, privatizing the numerous federal corporations: Amtrak, the United States Postal Service, the Tennessee Valley Authority (TVA), and the power marketing administrations (PMAs) are the most attractive candidates.

Profound Policy Brawl Is Behind Demands To Dump Blair

by Jeffrey Steinberg and Scott Thompson

A broad majority within the British Establishment has delivered a “*sayonara*” message to Prime Minister Tony Blair. In a series of stinging media attacks, which began while Blair was in Washington, conferring with George Bush, Blair was told that his time is up, and that he should depart from 10 Downing Street—pronto.

But behind the latest “Dump Blair” drive is a much more profound policy brawl, which could spawn dramatic changes within the British establishment. One extreme outcome could be a breakup of the no-longer-United Kingdom, and a splintering of the Club of the Isles, the real seat of power of the British Crown and City of London financial oligarchy. An only slightly less dramatic outcome would be the emergence of a solid Scottish power bloc, at the helm of the United Kingdom and the Commonwealth—under the public leadership of the oh-so Scottish Gordon Brown, the former Edinburgh rector and son of a Church of Scotland preacher.

First the moves to oust Blair:

“Mr. Blair, it is time to recognize your errors and just go,” reads the headline of an Aug. 3 editorial in London’s *Financial Times* written by “Sir Roderick Braithwaite, UK ambassador to Moscow 1988-92 and then foreign policy advisor to John Major and chairman of the Joint Intelligence Committee.” The attack on Blair is presented in quite unusual language:

“A spectre is stalking British television, a frayed and waxy zombie straight from Madame Tussaud’s. This one, unusually, seems to live and breathe. Perhaps it comes from the Central Intelligence Agency’s box of technical tricks, programmed to spout the language of the White House in an artificial English accent. . . .

“But whatever our sympathy for Israel’s dilemma, Mr Blair’s prime responsibility is to defend the interests of his own country. This he has signally failed to do. Stiff in opin-

ions, but often in the wrong, he has manipulated public opinion, sent our soldiers into distant lands for ill-conceived purposes, misused the intelligence agencies to serve his ends and reduced the Foreign Office to a demoralised cipher because it keeps reminding him of inconvenient facts. He keeps the dog, but he barely notices if it barks or not. He prefers to construct his ‘foreign policy’ out of self-righteous soundbites and expensive foreign travel.

“Mr Blair has done more damage to British interests in the Middle East than Anthony Eden, who led the UK to disaster in Suez 50 years ago. In the past 100 years—to take the highlights—we have bombed and occupied Egypt and Iraq, put down an Arab uprising in Palestine and overthrown governments in Iran, Iraq and the Gulf. We can no longer do these things on our own, so we do them with the Americans. Mr Blair’s total identification with the White House has destroyed his influence in Washington, Europe, and the Middle East itself: who bothers with the monkey if he can go straight to the organ-grinder?”

“Mr Blair has seriously damaged UK domestic politics, too. He has thus made it harder to achieve what should be a goal of policy for any British government: to build a tolerant multi-ethnic society within our own islands. . . .

“For now, he should no longer attempt to stand upon the order of his going, but go. At once.”

A number of diplomats, strategic experts, and Foreign Office mandarins have also blasted Blair’s full backing for the Bush-Cheney Middle East policy and Israel.

- Sir Christopher Meyer, Britain’s Ambassador in Washington from 1997 to 2003, told BBC, in an interview aired July 29, “Right now, in this crisis, the United States has only one special relationship and that is with Israel.” Meyer warned that all other relationships, “including ours,” are in a secondary or even a third category.

- Oliver Miles, former British Ambassador to Greece and Libya, stated: “It seems we and Uncle Sam think that shooting people is a good idea. I think it is quite monstrous and I think many of my colleagues share that view. The idea you can’t have a ceasefire until you have a full agreement is the tearing up of the way in which conflicts have been resolved since the Old Testament. It is a coded way of saying we hope that Israel will win.”

- Robert Lowe, Middle East specialist at the Royal Institute for International Affairs (RIIA), criticized Foreign Secretary Margaret Beckett for behaving like a “yes-man” to Blair, suppressing traditional Foreign Office advice. “It is a deeply flawed approach by the British.”

- Robin Kealy, former British Ambassador to Tunisia and former consul-general to Jerusalem, declared: “What I see is Israel potentially getting itself into a right mess. . . . Their good friends should be giving them some pertinent advice on the issue of proportionality and counterproductiveness.”

- Most significant is a commentary in the July 31 *Times* by Matthew Parris, a former personal assistant to ex-Prime Minister Margaret Thatcher, and a veteran of the Conservative Party. Under the title, “How Mad for Britain To Be the U.S. Poodle,” Parris wrote that he is all for the “special relationship,” but “we see danger in conflating one rogue U.S. President with the personality and the ideals of a whole great nation.” In five years from now, the Bush Presidency will be seen “as a kind of nightmare, an aberration, a dreadful memory. . . . People who today describe themselves as neo-cons will be denying that they were ever attracted by these delusional enthusiasms.” But, “I utterly despair of Mr. Blair recovering the sanity to quit this ship of fools before it sinks. . . . This Conservative leader [David Cameron] has no need yet to nail his colors to any mast. Let him give the good ship *Neocoon* a wide berth. In five years time her hulk will be with the fishes. And it will not be ‘anti-American’ to say so.”

- And finally, Lord William Rees-Mogg, the *Times*’ weekly columnist who had once been among Blair’s leading conservative boosters, delivered his verdict in a July 31 column, titled “Why Blair Must Step Aside.” Rees-Mogg zeroed in on Blair’s lapdog performance on the Lebanon crisis: “I believe in the need to defend Israel, which I see ultimately as a threatened nation,” he wrote. “I believe in the alliance with the United States; I believe in the importance of helping Iraq to recover and develop, though that process has obviously been mishandled. But I do not believe in a system of dominoes in which when Israel makes a mistake, the United States has to back it, and when the United States backs Israel’s mistake, Britain has to come into line. That strategy is no help to Israel or to British interests.”

Rees-Mogg’s conclusion: “Mr Blair still has real political capital in the US, both with President Bush and with the American public. But he has virtually exhausted his political capital at home. The task of protecting the Anglo-American relation-

ship and developing a Middle Eastern strategy that British public opinion will support is now nearly impossible, but Gordon Brown as a new Prime Minister would at least have some chance. Mr Blair is now the victim of his nine years in office. He is no longer the man who can hope to achieve the impossible.”

The Bigger Picture

Behind the move to replace Blair is a far more profound policy battle at the very highest levels of the British Establishment, centered around the unspoken question of how Britain will respond to the looming collapse of the entire post-Bretton Woods monetary system. One senior U.S. intelligence source advised that “the Scottish” are making a move within the United Kingdom and the Commonwealth, to either grab a much greater grip on power, or to go on their own, by forging independent ties to like-minded groupings on the European continent. The links, for example, between the Royal Bank of Scotland and the Spanish-based Banco Santander, have vastly expanded in recent years, particularly in Ibero-America, where the banks have grabbed up major privatized assets, and vast tracts of agricultural land.

It was the Scottish National Party which produced the “loans-for-peerage” dossier that has generated police investigations into corruption within the Labour Party, leading directly to Blair’s doorstep.

Among the many issues being hotly debated behind the scenes, in addition to a shakeup of the Scottish, Welsh, and English power-sharing within the Club of the Isles, is the future of the Anglo-American “special relationship.”

As one senior U.S. intelligence figure put it: Since the Suez crisis of 1956, in which the British were the first to back down in the face of pressure from U.S. President Dwight Eisenhower, one faction in Britain—today represented by Blair—has argued that the partnership with the United States is the key to Britain’s role in the world. However, even some among that hard-core Anglo-American faction have concluded that Blair failed, miserably, to steer that partnership to London’s benefit.

The source also said that, both in London and Washington, there is going to be a major effort to reverse the Bush-Blair consolidation of executive power, which has occurred to the detriment of Parliament and Congress. “And then there is the issue of Charles. How will his reign recast the struggle for power between the City and the Crown?”

The new Conservative Party leader, David Cameron, has signalled his own political alignment with the American neo-conservative apparatus which, for the time being, dominates the Republican Party. This, too, carries profound implications, which are also being fought out behind the scenes in London, several sources report.

However these tumultuous battles play out, one thing is emerging as a near certainty: They will continue to be thrashed out after Tony Blair has departed 10 Downing Street.

Lebanese Religious Leaders Unite In Call To Stop Israeli Aggression

On Aug. 1, shortly after the tragic deaths of the civilian families of Qana from Israeli bombings, the Christian and Muslim religious leaders of Lebanon met in Bkerke, the seat of the Maronite Patriarchate, at the invitation of Patriarch Cardinal Nasrallah Boutros Sfeir, to issue an appeal to the world, to stop the Israeli aggression against Lebanon. The meeting has barely been reported in the United States, and the statement of unity has been virtually blacked out by the English-language press. A Lebanese contact told EIR that ours would be the first publication to print the unity statement in English.

Patriarch Sfeir told the English-language Lebanese newspaper the Daily Star, that the summit came in response to Prime Minister Fouad Siniora's repeated calls for such a meeting. The Patriarch stated that, "considering the tragic circumstances, we had to convene to strongly condemn what happened and is happening here, to encourage our children and brethren not to lose hope despite the difficulties, and to urge them to pray to the Lord who brings comfort and good news."

The Muslim and Christian attendees, organized by the National Christian-Islamic Dialogue Committee, included Maronite Patriarch Sfeir, Grand Mufti Sheikh Mohammad Rashid Qabbani, Higher Shi'ite Council Vice President Sheikh Abdel-Amir Qabalan, and Druze Spritual Courts President Judge Nohad Hreiz, reported the newspaper.

The conclave, referred to as the Religious Leaders Summit, issued a powerful statement of unity. EIR presents here a translation of the final statement issued by the clerics, in a translation done by Catholic Center for Information in Lebanon. Subheads have been added.

At a time when Lebanon is still tending to wounds generated by a series of internal wars that had ravaged the country for 15 years; and at a time when Lebanon was busy rebuilding its socio-economic structure destroyed by senseless wars financed and nurtured by different foreign powers; and at a time when Lebanon was still suffering being used as a theater for the wars of others on its land; and at a time when Lebanon has succeeded in asserting its national unity and its absolute commitment to freedom, sovereignty, independence, and conviviality among all its religious families; at this time,

Lebanon is being exposed to a new Israeli aggression, a brutal aggression reflecting much more hatred and revenge than a pretended reaction to the kidnapping of two Israeli soldiers. The latest unacceptable crime committed by the Israelis in Qana, which exceeded in its atrocity every imagination, is nothing but a living proof of that hatred against Lebanon and the Lebanese.

The Christian and Muslim religious leaders convened in a religious summit—at the Maronite Patriarchate in Bkerke—to talk about the repercussions of the criminal Israeli aggression, pay tribute to the Lebanese army and its martyrs, salute the resistance and its martyrs along with all the innocent civilians who offered their lives for Lebanon, and pray God to accept their souls and shower His mercy and kindness upon them, and they ask Him to have compassion on the country of Lebanon against the abomination of the Israeli enemy. They assert the following common positions:

1. They denounce the Israeli aggression against Lebanon, considering it a war crime against all Lebanese: people, institutions, and government. They call on the international community to halt the aggression immediately and put an end to it for good, and to lift the unjust blockade—air, land, and sea—imposed by the Israeli forces, so as to allow all displaced to return to their cities and villages and to live therein in peace and serenity under one and united national and sovereign authority.

2. They hold Israel accountable, morally and financially, for all the civilian victims and casualties (families, women, and children), and for the systematic destruction of homes, institutions, and the infrastructure of the national economy, asking to file lawsuits against Israel before international courts.

3. They affirm the commitment of Lebanese society in all its communities, denominations, and regions towards the right of all the sufferers to have proper support and help to alleviate their pain and sufferings. They consider the Israeli aggression addressed towards all Lebanese loyal to their country and keen to translate this loyalty to the state's high interest in all related decisions.

4. They express their attachment to national unity as

a sole guarantor of the state of Lebanon in its entity, society, and government. They warn all against the dimensions of the Israeli aggression which aim to infringe on that unity and to draw Lebanon and the whole Arab region into disastrous hostilities. The national unity was and still is the basis for resisting the Israeli occupation; and Hezbollah, which represents an essential part of Lebanese society, is not but one of the constituents of the Lebanese resistance.

5. They support all efforts employed by the Lebanese government, represented by the Council of Ministers, alongside the concerned international bodies, to regain Lebanon's violated sovereignty and expand it on all Lebanese territories, air, and waters, and secure the immediate Israeli withdrawal from the Shebaa farms. They adopt the operational suggestions identified and pronounced by President Siniora before the international conference in Rome and which were unanimously agreed upon by the Council of Ministers.

Seven-Step Plan

Those suggestions are defined in the seven-step plan to follow after an immediate cease-fire and they state:

- 1) Commitment to release all Lebanese and Israeli prisoners and kidnapped, via the International Red Cross.
- 2) Withdrawal of the Israeli army behind the blue line.
- 3) Return of all refugees to their towns and villages.
- 4) Commitment of the international Security Council to place the Shebaa farms and the Kfarshouba hills under the United Nations authority so their residents can return to them, and hold control over them till the final border lines are formally drawn, thereafter they will come under the authority of the Lebanese government.
- 5) Israel should deliver the maps of all planted mines in South Lebanon to the United Nations.
- 6) Bestow the authority of the Lebanese government on all its territories through the legitimate Lebanese armed forces, who will be the sole arms bearers in Lebanon under the authority of Lebanon's government, as mentioned in the Taef Accord for national reconciliation. This would require consolidating the international forces, UNIFIL, working in the South, raising the numbers of its men, upgrading its equipment, expanding the scope of its work, and making the necessary arrangements to revive the armistice agreement signed by Lebanon and Israel in 1949 under the umbrella of the United Nations.
- 7) The commitment of the international community to assist Lebanon at all level and help it face the consequences of the latest human, social, and eco-

nomical tragedies, especially in the domains of human aid, rebuilding the destroyed areas, and rebuilding the Lebanese economy.

Responsibilities of Citizens and Government

6. They insist on the right and duties of all Lebanese citizens asserting their equality under the law, that should be enforced by the government political, judicial, administrative, and security institutions in order to achieve justice and spread respect for the values of citizenship. The restoration of Lebanon's government authority and sovereignty over all Lebanese territories represents the national constant on which all Lebanese agree and find salvation and immunity against the diseases of disruption and troubles.

7. They call on all national political leaders, in both state and society, to work on finding global and final solutions to the repeated disasters that have taken place over the past three decades in a series of brutal and destructive aggressions which have killed thousands of Lebanese, by spreading the government authority on all Lebanese territories at all levels: security, politically, socially, economically, so as to implement the Taef Accord in its entirety. They also call on them to take part in the national decision-making, yet leave the final decision exclusively to the Lebanese authority, and to revive the armistice agreement of 1949 in order to deprive Israel of any possible argument to assault Lebanon and its people ever again.

8. They commend sister and friendly nations for their sympathetic positions towards Lebanon and their support for its just cause, expressing their thanks for the aid received, and inviting those countries to work collaboratively with the humanitarian organizations on a comprehensive plan to rebuild what the Israeli enemy has destroyed.

9. They call on all Lebanese to remain united, to be patient and hopeful in a better tomorrow; for Lebanon has known, all through its history, major crises and disasters, yet it has always conquered and overcome, and it must now regain its illuminating life and continue its mission as a country where freedom, democracy, and human rights flourish.

10. They consider the sessions of the Spiritual Summit open in order to face all developments.

The Muslim and Christian authorities who adhere to the sovereignty of Lebanon and its liberty, unity, security, and stability consider all spiritual families of Lebanon as one national Lebanese family, anytime one of them is affected, all assemble to assist her; they are for one another in better times and worse. National unity is not a mere motto or an emotional song; it is rather a sincere act of faith and commitment through which Lebanon reaches its greatness and glory, and realizes its salvation from disasters and calamities.

Will Russia and America Again Recognize a Common Enemy?

by Jonathan Tennenbaum

Despite the decades-long adversarial relationship between the United States and the Soviet Union, during the Churchill-orchestrated “Cold War,” any informed U.S. patriot should know that Russia and America have been close allies at practically every crucial point of history. The positive relationship goes back to before the U.S. republic was born, to the great Gottfried Wilhelm Leibniz, the father of the principles of the American Declaration of Independence and the U.S. Constitution, who at the same time advised Czar Peter the Great on building up Russia’s scientific and technological capabilities, through the creation of the Russian Academy of Sciences.

It continued with Russia’s decisive role in the League of Armed Neutrality, which made possible the victory of the American colonies against the British Empire. Later, when the British had orchestrated the U.S. Civil War, President Lincoln was closely allied to Russian Czar Alexander II, who deployed the Russian fleet to block British intervention on the side of the Confederacy.

In the second half of the 19th Century, coming out of the alliance between Lincoln and Czar Alexander II, the organizers of Russia’s economic development, including Dmitri Mendeleyev and Sergei Witte, had extensive ties with the

circles of American System economist Henry C. Carey, and shared a fundamental outlook with the organizers of America’s rise to industrial power. Finally, the U.S.-Soviet alliance, forged by Franklin Roosevelt, was decisive for preventing a worldwide synarchist-fascist dictatorship in World War II.

Had it not been for the untimely death of Roosevelt, his replacement by a Harry S Truman who was devoted to reversing all of Roosevelt’s policies, and the subsequent orchestration of the Cold War by Churchill and the very same synarchist circles that had sponsored the fascist movements of the 1930s, the United States and Russia would almost certainly have remained close allies until this very day.

Ironically, the powerful pro-American sentiments in the Russian population and institutions continued even during the tense days of the Cold War, as this author witnessed during a trip to the Soviet Union in 1981. To the extent that significant anti-American feeling exists in Russia today, it has been fed by the savage destruction of the Russian economy under the so-called Western-style liberal reforms of the post 1990-period—a destruction many Russians have come to perceive as a deliberate policy on the part of the United States to annihilate the Russian nation. The concentration of wealth in the hands of a tiny group of Russian “oligarchs,” mostly linked to Western financial groups, the wholesale shutdown of productive industry, and the collapse of Russian living standards began under U.S. President Bush, Sr., and continued under the notorious Gore-Chernomyrdin Commission of the Clinton Administration.

Needless to say, pressure on Russia has escalated under the regime of George Bush, Jr., especially in the form of an attempted geostrategic encirclement, which has included the expansion of NATO into Eastern Europe and the Caucasus, and sponsorship of the anti-Russian government in Georgia, the Orange Revolution in Ukraine, and analogous operations in Central Asia. It should not be forgotten, that after the bloody terrorist attacks in Beslan and at a theater in Moscow, President Putin publicly suggested that terrorism was being used by a foreign power to destroy Russia. Only the limited, but significant, consolidation of state power and of the financial situation of Russia under Putin, exploiting the strategic role of Russia’s natural resources, has temporarily pulled the country back from the edge of the abyss, and opened up a possible road to recovery.



Courtesy of Rosbalt News Agency

The author, right front, participating in a July 13 round-table press conference, featuring a number of prominent industrialists and heads of industrial associations in Russia. It was held at the Rosbalt News Agency, on the occasion of the first meeting of the newly formed “Coalition for Industrial Development.”

The LaRouche Factor

In this situation, the personal role of Lyndon LaRouche as the only American public figure, who is both famous in Russia and seen there as a true friend and embodiment of the “good America,” can hardly be overestimated. In perhaps no other country, is LaRouche held in such high esteem, as both a great thinker and a political figure. Enter LaRouche’s name in any search engine for the Russian-language sector of the Internet, and you will find not only countless articles by and about LaRouche, but also ongoing, intense discussion of his ideas. Open up a newspaper or magazine, or turn on the radio, and you may very likely find LaRouche’s name mentioned.

In a country where many illustrious scientists and others

spent time in the Gulag prison camps, the fact that LaRouche served out five years in prison under the first Bush Administration, is very much to his credit. By representing the best of America, while ruthlessly criticizing its mistakes, and by demonstrating that a real political fight is going on in the United States, LaRouche and his political movement have provided a much-needed element of optimism, while at the same time posing a very important paradox to the Russian mind: If America *per se* is not the enemy, then who is?

Exactly this question came up again and again during my most recent visit to Moscow, where I had occasion to present and discuss LaRouche’s views on the world situation in a variety of meetings, and in two public media appearances. One of the main points I emphasized, was that the United

Defending Russia’s Industrial Development

On July 13, Jonathan Tennenbaum participated in a roundtable press conference at the Rosbalt news agency in Moscow, together with Yuri Krupnov, leader of the political Movement for Development; Georgi Samodurov, president of the Russian Association of Machine Tool Instrumentation; and Nikolai Panichev, head of its board of directors; Alexander Lebed, vice-chairman of the State Duma Committee on CIS Cooperation; the general directors of the industrial companies Ryazansky Konnyj Zavod, Stroyexport, Mosenergoemont, and Spektr; and Igor Nikolayev, director of the Department of Strategic Analysis of the prominent business news and consulting agency RossBusinessKonsult (RBC).

The discussion, which took place before an audience of Russian press representatives, constitutes the first meeting of a newly formed Coalition for Industrial Development, devoted to “examining the barriers and perspectives for technological breakthroughs in the real sector of the Russian economy.” The immediate topic of the discussion was the threat to Russia’s economy from so-called “raiders”—organized groups operating in the gray zone between legal and illegal operations, using mafia methods and connections with corrupt government officials to take control over industrial corporations. This phenomenon has grown to such gigantic proportions, that it threatens to crush the limited, but significant revival of industrial investment in the country. No doubt, the “raiders” are no spontaneous phenomenon, but are connected with international financial groups.

A striking example was presented at the meeting by

machine tool industry expert Samodurov, who recalled that the liberal economic reforms in Russia in the 1990s had already led to the demise of 40 major machine-tool producers, based mainly in Moscow and St. Petersburg. Among the important survivors—until last year—was a specialized factory in St. Petersburg, producing ultra-high-precision grinding machines. This plant was one of only two such factories in the entire world. But last year, it was bought up by a “raider” group, and within half a year nearly all of its equipment had been sold off. Today a shopping mall and a hotel complex occupy the area where the factory used to stand. (See “Globalization Devastated Machine-Tool Industry in Russia,” *EIR*, June 23, 2006.)

Other participants in the panel demanded that the government take decisive measures, before the process of destruction becomes irreversible. They noted that not only the Russian economy, but the nation’s political stability is at stake.

Yuri Krupnov, leader of the Movement for Development, emphasized that the problem of “raiding” could only be fully overcome on the basis of a principled commitment to large-scale industrial development of the entire nation. As opposed to a speculator who operates on the principle of “buying cheap and selling dear,” a worker employed in industrial production sees himself as a creator of useful wealth and a builder of the nation. Industrial development is thus inseparably linked with the development of the human individual, Krupnov said, and deindustrialization means degrading the population to the level of mere animals.

The complete minutes of the discussion, including Tennenbaum’s remarks on the global dimension of deindustrialization and the threat posed by the Synarchist international, were circulated by the news agency AKS-Real Sector, and reported by numerous press agencies and Russian web sites.

States itself, together with Germany and other Western countries, is now becoming the victim of exactly the same sort of looting and destruction of national sovereignty that Russia has suffered in the post-1991 period.

On July 13, I took part in a round-table press conference in the offices of the Rosbalt news agency, held on the occasion of the first meeting of a newly formed Coalition for Industrial Development, and featuring a number of prominent industrialists and heads of industrial associations in Russia. In my remarks, which were quoted in a Rosbalt dispatch, I pointed to the dismantling of the U.S. auto industry, and how Germany's famous *Mittelstand* companies were falling victim en masse to hedge funds and private equity companies, appropriately called "locusts" by Germany Social Democratic Party politician Müntefering.

This process constitutes a threat to civilization itself, I said, but it is not accidental. I said that LaRouche and his collaborators in the U.S.A. had done research, using official documents from the 1930s and 1940s, showing the continuity between the synarchist financial circles that had sponsored the fascist projects of the 1920s and 1930s, and those that are destroying the economies of entire nations today.

Later, I had the opportunity to develop this point in much more depth, during a 45-minute talk show on the popular Moscow radio station *Govorit Moskva* (Moscow Speaking), where I appeared together with Yuri Krupnov, head of the Movement for Development, initiator of the Coalition for Industrial Development, and a figure of growing prominence in Russian politics. I emphasized LaRouche's warning, that the escalation in the Near East, the bombings in India, and the aggravation of the situations in Iraq, Afghanistan, etc., are all part of a single, orchestrated destabilization operation; that this is linked to the blowout of the financial system; that asking *cui bono* leads obviously to Cheney, the neo-cons, and their backers, who absolutely need a huge crisis. But, I said, the deeper level is the Synarchist international, the financial networks that sponsored the fascist projects of the 1920s and 1930s, and never ceased to exist; and, that the present world situation can only be understood if we realize that these forces are again at work today.

Later, I emphasized that Russia, the U.S.A., and other nations "face a common enemy" in the form of this Synarchist-Nazi force, elaborating on the role of Felix Rohatyn, Lazard Frères, and the Nazi connection of Rohatyn via André Meyer. I also recommended that the Russian President should put the necessity of junking the present doomed system, in favor of reviving the Franklin Roosevelt policy, squarely on the table at the G-8.

The Roosevelt-LaRouche idea of a worldwide New Deal, featuring transcontinental corridor development and other Great Projects, drew very positive comments from Krupnov and the talk-show host, Serafim Melentyev, who thanked LaRouche and his collaborators for their work in developing these ideas, and bringing them to Russia.

Mexico's 'Forgotten Man' Seizes Streets, History

by Gretchen Small

A new phase of struggle opened July 30 in Mexico, when Presidential contender Andrés Manuel López Obrador, addressing as many as 3 million people packed in and around Mexico City's central plaza, the Zócalo, called upon Mexicans to set up 47 "permanent encampments" in the heart of the city, and man them 24 hours a day, until the Federal Electoral Court orders a vote-by-vote, polling station-by-polling station, recount of the contested July 2 Presidential election. The call was a masterful political move, which, despite catching even many of López Obrador's own supporters by surprise, met with enthusiastic popular response. By midweek, tens of thousands of people had joined the camps, with more arriving daily from other states, transforming the center of Mexico City into a hotbed of political discussion, and animated, revolutionary *fiesta*.

The LaRouche Youth Movement (LYM) immediately set up a "permanent camp" at the Juárez Monument, strategically situated in the middle of the camps stretching for miles out of the Zócalo. Bringing a computer, loudspeakers, and audio-visual equipment to the streets, their camp has become a base for classes on everything from nuclear energy, to LaRouche's physical economics, to one on Synarchism titled simply: "Who Is Screwing Us, and Why." The LYM is singing, and people are fascinated by their public chorus rehearsal. Fifty people came around one night for a reading of Edgar Allan Poe's *Mask of the Red Death*. Discussions are raging on how the financiers behind López Obrador's opponent Felipe Calderón are the same financiers who are dismantling industrial capacity in the United States, and seek to unleash global war through Lebanon.

In short, as one of several large banners at the LYM site explains, they are dedicated to sparking the intellectual ferment required to bring about the new global renaissance which is ultimately the only path to securing real change in Mexico. Deploying squads daily to organize at the other camps as well, the LYM engaged hundreds of people in dialogue, starting with their leaflet with Lyndon LaRouche's analysis of the global war in which Mexico's battle is occurring, and what to do about it. Thus, word is spreading that there is a U.S. statesman who is supporting the fight for justice in Mexico.

Real History Is Taking Over

Upon being briefed on July 30 on López Obrador's "permanent encampment" move, LaRouche responded that the

oligarchy now has a problem, because this move escalates the mobilization of the majority of the population. Four days later, LaRouche elaborated upon the strategic significance of the process unfolding in Mexico:

A real mass movement is being created, he said, a revolutionary situation in the most generic sense of the term, in which the people are becoming a factor. This is no “Mexican” phenomenon. Worldwide, the lower 80% of the population—the same “forgotten men and women” who Franklin Roosevelt rallied to save the United States and the world from fascism in his day—have been systematically excluded from a direct participatory role in shaping policy. They have been allowed to come around and “boola boola” for this and that kind of scheme, but not allowed to get in on the dialogue which shapes policy. Now, in the United States—with comparable things in other parts of the world—you have people who are beginning to sleepily come out of the stupor and realize they have to do something different. It’s not yet clear to them what they have to do, but they know it has to be something different.

So, you have a real mass movement, LaRouche said. A mass movement does not necessarily come into being with a clear list of programmatic businesses. Idiots always say “Well, we have point one, point two, point three,” but real history does not work like that. And you are coming into a time of crisis where *real* history, as opposed to what has been going on for years, is coming to the fore.

No ‘Lebanon’ South of the Border

The *Ancien Régime* in Mexico—the Vicente Fox government and the global Synarchist financier interests which prop it up—are alarmed. They had foreseen demonstrations against the fraudulent victory of their candidate, the National Action Party (PAN)’s Calderón, perhaps lasting for weeks, but they expected that ultimately some deal could be cut, Calderón’s victory would be accepted, and the ferment would dissipate.

López Obrador, however, has refused play by the rules of a system which has impoverished millions of Mexicans. Refusing any negotiation on a deal, including offers of a coalition government, he is sticking to his demand that the entire vote be recounted, under more impartial observers. As he said in the Zócalo on Aug. 2, how can election results in which so-called “arithmetic errors” have been documented in the tallies of 60% of the polling stations, be considered valid? If Calderón is so confident of his victory, why does he refuse to accept a recount of that vote?

As the mass ferment builds, a debate is raging within the *Ancien Régime* camp, as to how to move, before the situation gets completely out of their control. Despite the media headlines screeching “City Held Hostage,” everyone knows that López Obrador’s forces have not yet done anything compared to what *could* happen, should their solid case for a recount be turned down.

Some fanatics have raised the possibility of using force to close down the encampments. Interior Minister Carlos Abascal declared the camps “illegal” on Aug. 2, and demanded that the Mexico City government, headed by López Obrador supporters, shut them down. The day prior, President Fox had ominously stated that it is the Army’s role to guarantee legality and the country’s “institutions.”

LaRouche warned on Aug. 4: Any such attempt to dislodge the camps by force would be a scenario for a blow-up of the entire country. People in Washington should consider, that should the Fox government attempt to carry it out, the United States may face a “Lebanon” on the south of its border.

Acting on Behalf of Generations to Follow

Through direct personal leadership, López Obrador has kept the building anger of millions of Mexicans channeled into peaceful civic resistance. Personally living in the Zócalo as long as the camps are needed, he is visiting each of the 47 camps (one each for the 31 states and the 16 districts of Mexico City), returning nightly to give a wrap-up of where the battle stands at the end of the day.

Over and over, he reminds people to not be provoked, to ignore the press lies. It is enough to be secure that the cause which we are defending is just, he told them. At issue here, is that “we cannot keep living in a country where a few have everything, and the majority lacks even what is most indispensable.” He has pointed to the economic issue underlying the mass strike. We are fighting to “better our people’s conditions of life and work,” he told people on Aug. 2. Real democracy must bring real change. Look at the 2000 Presidential election, after which “the same economic policy continued, the same anti-popular and sell-out economic policy which benefits a few, at the cost of the suffering of the majority of our people.”

He is constantly reminding his largely poor and humble supporters, that their battle is a continuation of battles for justice which Mexicans have fought throughout their history. “We must remember that everything achieved in our country regarding freedom, justice, and democracy, has been won through the organization and struggle of the people. Nothing, or almost nothing, has been a free concession of power,” he told the millions gathered on July 30. “We were an independent country not because the Spanish Crown so decided, but through the people’s fight headed by Hidalgo and Morelos. Democracy, like justice, like freedom, is not begged for; it is won.”

So, too, on Aug. 3, he reminded those gathered in the Zócalo: “We are not struggling only for ourselves, for our generation, but for those who come after us. Let our children not reproach us tomorrow; let us be able to look them in the eye, and tell them that we rose to the occasion. It is a matter of pride to participate in a movement such as this. Circumstances such as this do not occur very often in our existence, in what is our history.”

'Wise Words' of Zepp-LaRouche Now Heard Weekly on Germany's LYM Radio

by Abdul-Aliy Muhammad, LaRouche Youth Movement

The governing institutions of Europe show blushing and despairing ignominy, while most 68ers show utter obstinance, as would make Denial himself bow his head in disgrace. Many deluded others would rather compose fantasia than deal with real crises on the plain. And lastly, the heads of state of Europe are running headlong into a mosh pit fitted by Rohatyn and his like, here in "Old Europe."

How do you deal with it? Well, here in Germany, that question is ever germane. The Grand Coalition regime of Germany, which is composed of the Christian Democrats and Social Democrats, is rewriting history; according to the health-care reforms recently passed in the German Parliament, they would posit that Bismarck was a socialist. Through dismantling the very thing that defined Germany as a nation, namely the concept of the "social state," they would fling Germany back into feudalism as if a fly caught on one's shirt.

Chancellor Angela Merkel in sooth, said Germany was a "readjustment case," a polite way of saying Germany is bankrupt. But, of course, Merkel failed to state the fact that not only is Germany in dire straits, but also the whole world. Merkel's claim of Germany's bankruptcy is also a *double entendre*, if one reflects on the utter bankruptcy of institutions in Germany. The raising of the value-added tax by about 3%, and the fact that the European Central Bank plans to meet in August, as had never been the case before (since in August, everyone heads for vacation), shows that the relevant substance has hit the fan.

So, mundane and redundant thinking in these times is not only wrong, but can be the cause of civilization's downfall. *I may have been once on the midnight train to Georgia, but I'd never willingly buy a train ticket to Hell.*

The Leadership of Helga Zepp-LaRouche

The only stateswoman in Germany is Helga Zepp-LaRouche, chairwoman of BüSo (the Civil Rights Movement Solidarity) and president of the Schiller Institute. Zepp-LaRouche, who has shown in her many campaigns for Chancellor, the quality of leadership necessary for Germany in these times, must be heard here in Germany, now. If you recall, in the 2002 German Parliamentary elections, Zepp-LaRouche's opposition to the policy of war, was taken up by the SPD's Gerhardt Schröder. As today, when the euro shows

itself completely ill, Zepp-LaRouche stood, the only public figure defending Germany's national sovereignty, and the only one fighting for a return to the D-mark, Germany's national currency.

It was therefore necessary for our Party and movement here in Germany to up the ante to ensure that Zepp-LaRouche's voice resonates louder than those among the rogues. With this in mind, we have inaugurated a new radio show on our German LaRouche Youth Movement website so as to give people an "uplifting experience" on a weekly basis. The German-language radio program will be streamed live, every Tuesday at 5 p.m. in Germany, and will be hosted by members of the LYM, and accessible on the German LYM's website, www.wlym.de. Our main objective is to recruit as many people as possible to our efforts worldwide, as our movement is playing a decisive role in the world strategic situation. Questions can be e-mailed via the German LYM website. Let's use this show to its fullest potential!

Once, in a meeting with former Mexican President José López Portillo, Helga Zepp-LaRouche, among others, heard López Portillo state that, "now is the time to listen to the wise words of Lyndon LaRouche." Now, I think it's time for Germany to pay the same homage to their only stateswoman, Helga Zepp-LaRouche. As the saying goes, "We are being the change we want to see." And hopefully those frightened creatures, sometimes referred to as chronic European Boomers, will get onboard "cause there's room for many-a-more."

"This is the curse of every evil deed, that, propagating still, it brings forth evil." Zepp-LaRouche warned at a recent town hall meeting of the BüSo and the LYM. Referencing a rather poignant quote from Schiller's tragedy, *The Wallenstein Trilogy*, Zepp-LaRouche described, the "missed chance" which occurred when the Berlin Wall fell. That the evil deed of the French Synarchist movement, with the imposition of the euro, the Maastricht Treaty, and the European Union's Stability Pact, as blackmail upon Helmut Kohl's Germany by Britain's Margaret Thatcher and France's François Mitterrand, who threatened: "Either you accept these preconditions for reunification or await a new Entente Cordiale." A war has now brought reverberating effects of that evil to the doorstep of France, itself. Considering the utter instability of France's economy and the failed reforms of President Jacques

Chirac and former Prime Minister Dominique de Villepin, to eliminate labor laws, which would have allowed employers to fire youth workers, without reason, reality nods “yes” to Zepp-LaRouche’s assessment.

It also makes clear that the only choice for the French Republic is to support LaRouche’s friend Jacques Cheminade’s campaign for President of France. In that context Zepp-LaRouche advised that, to deal with the crisis in Southwest Asia—being that any plans for reconstruction would undoubtedly need the potential of European and especially German small and medium-sized productive industry, the *Mittelstand*—the only option is “to go with the ‘LaRouche Doctrine.’” Europe must dump Maastricht, and ensure the adoption of Hamiltonian economics, which would allow for credit-generation to enable sovereign nations to build and invest into the future, Zepp-LaRouche said.

On the first pre-recorded radio show, July 25, Zepp-LaRouche stated, “The chaos in Lebanon, Afghanistan, and India has to be seen in totality, as comparable to the Madrid bombings, as cases which have the mark of intelligence agencies.” Addressing the problem of what former SPD chairman and present Vice Chancellor Franz Münterfering denounced as financial “locusts,” Zepp-LaRouche characterized the present situation in Germany: “These so-called hedge funds or locusts, and financial groupings, proceed with ever more hostile takeovers, and always more aggressively. We have a process of cartelization today which, in fact, is only comparable with the events of the 1920-30s [Germany]; when mega-conglomerates like IG Farben and others were the only ones left.”

Germany at the Hub of Eurasia

Our mayoral campaign in Berlin, which has caused some explosive breakthroughs, is of great import for our political impact in Germany. Over the past months, we have distributed about 200,000 pamphlets in Berlin. Our LYM mayoral candidate, Daniel Buchmann, has awakened a sleeping giant here, in the German capital city, activating youth and others in a way that no other party has the ideas or the gumption to do. Our biweekly town hall meetings have become an open door for those who are passionate about saving Berlin and Germany.

Buchmann has stressed in his campaign, that Berlin must become the hub of Eurasian development, and if one views a map, it is clear that the city’s location at the center of Europe and the Eurasian continent makes it uniquely situated to fulfill this mission. Because this development concept is universal and touches everyone, we are escalating our outreach around Buchmann’s campaign, including through the Zepp-LaRouche Show, which is now one of our major motifs. As a result, we have begun to receive endorsements for Buchmann from around the world, including from elected officials, representatives of institutions, and LYM members from the Philippines, the U.S.A., and Europe.



EIRNS/Helene Möller

The leadership of Helga Zepp-LaRouche, shown here addressing a Town Hall meeting in Berlin July 27, is providing an “uplifting experience” to the German people, through the weekly LYM radio show.

Lakesha Rogers, who ran an explosive campaign for Democratic State Chair of Texas endorsed Buchmann: “As we face these times of great crisis throughout the world, the candidacy of people like Daniel brings hope to the world. Daniel’s campaign will inspire not only the people of Berlin, but the world as a whole. In a period where the very existence of humanity is being threatened by the Synarchist International plot to destroy sovereign nation-states, it is the mission of the LaRouche Youth Movement to provide the necessary leadership to save humanity.”

Derotha Ann Reynolds, State Central Committee Member of the Democratic Party in Nevada, says of Buchmann’s campaign, “It is fitting that the first elected representative to a major political post should be in Germany, the land of Beethoven and Schiller.”

The League of Filipino Democrats and the LYM of the Phillipines wrote: “We call on people in every part of the world, to act in solidarity, protect all victims of immoral and debilitating conditionalities imposed by the IMF and international financial oligarchy, and to demand that our world leaders cease the implementation of a system which destroys precious human lives.”

And from Michael Carr, of the Harris County (Houston, Texas) Democratic Executive Committee: “All the world remembers 1989, and expects the remarkable from Berliners. If you join me in supporting Daniel Buchmann’s campaign, you will again transform world history.”

Let us increase our efforts to propagate goodness all around the world through the Zepp-LaRouche Show and the campaign of Buchmann! *Viel Spaß!*

‘Pericles’ Paulson Delivers Speech Reeking of Schacht

by Nancy Spannaus

The much awaited first public utterances of the new Bush Administration Secretary of the Treasury occurred at Columbia University in New York City on Aug. 1. And if anyone was expecting a change from the sophistry of the Bush League, they were proven to have been sorely disappointed. Paulson, now dubbed by Lyndon LaRouche as “Pericles Paulson,” after the Greek leader who brought down the Athenian Republic, babbled on like a true Bush Leaguer, about the need to slash Social Security, Medicare, and Medicaid—the three key budgetary problems facing the government, he said. He gushed about the great growth of the U.S. economy, extolled the virtues of workers jumping from one dead-end job to the next, and vowed his loyalty to globalization and free trade. LaRouche said that these words could have been delivered by Hitler’s Economics Minister, Hjalmar Schacht, or by Hitler himself.

However, while the criticisms to be made of Paulson’s address are virtually self-evident, what remains unclear, is whether Paulson really believes any of the slop he presented on this Aug. 1 occasion. Since what he said is so terribly absurd, in fact, must we not suspect that what he said on that occasion was intended more to conceal than to reveal his underlying agenda?

The Schachtian character of the new Treasury Secretary’s speech was reflected primarily in his emphasis on cutting entitlements. He said: “The biggest economic issue facing our country is the growth in spending on the major entitlement programs: Medicare, Medicaid, and Social Security. The cost to the Federal government of these three programs, without fundamental reform, is projected to more than double . . . by 2060. . . . The longer we wait to fix this problem, the more limited will be the options available to us, the greater the cost,

and the more severe the economic impact on our nation.”

After regurgitating discredited Wall Street arguments for privatization of Social Security, which the LaRouche movement-led Democrats, and many sane Republicans, to trounce in 2005, he gushed, “I admire the President’s political courage and willingness to address entitlement reform.”

Whistling Past the Graveyard

The most one could have hoped from the Paulson appointment as Treasury Secretary, was that, coming from outside the Bush political family, he might have shown some willingness to admit the reality of the onrushing financial disaster which characterizes the bankrupt world economic system, now in its last throes. Leading bankers around the world, from Frankfurt, to London, to Washington, D.C., have been discussing, mostly among themselves, the impending threat of a “financial tsunami,” while frantically seeking to stanch the potential global effects of the series of hedge-fund collapses which have been hitting, one after the other, since the Spring of this year.

The hedge-fund collapses, these bankers know, immediately threaten the already bankrupt international banks, in ways far beyond what happened with the implosion of the Long Term Capital Management (LTCM) hedge fund in the Fall of 1998. That collapse nearly brought the entire global financial system to a standstill, as International Monetary Fund Managing Director Michel Camdessus only felt free to admit approximately a year later. The crisis was “solved” (i.e., delayed) by the insane policy called the “wall of money,” which simply set into motion a hyperinflationary process identified by LaRouche as comparable to that of Weimar Germany in the second half of 1923.



White House/Eric Draper

Henry Paulson is sworn in as Secretary of the Treasury on July 10, while George Bush looks on. "Paulson has put himself high on the list of those who are dangerous to the U.S. economy," said Lyndon LaRouche.

Today the global bubbles are even in more danger of popping—from the U.S. housing market, to credit derivatives. The dramatic ongoing flight into raw materials, of hyperinflationary proportions, underscores the fact that the top international financiers are well aware that the system is going to blow, and wish to position themselves for the post-crash world.

Yet Treasury Secretary Paulson could hardly contain his enthusiasm for what he called the “economic strength” of the U.S. economy. He boasted: “Over the past year, the global economy has been more robust than at any point I can recall during this period.”

“In Asia, not only are China and India growing, but so are South Korea and Japan. In Latin America, Mexico, Brazil, and others are experiencing strong growth and improved fiscal performance. In Europe, there are signs of moderate recovery in countries like Germany and France. And here at home the economic growth has been strong.”

Paulson’s description of the U.S. economy—in the face of the infrastructure breakdowns, wholesale shutdowns of core industries such as auto, and murderous cutbacks in basic social services due to budget cuts, especially in health—more than qualifies him to be called a Sophist like the Athenian Pericles (if not just an outright liar).

He continued: “The remarkable recovery is a true testament to the strength and resilience of our nation’s extraordinary economic system and entrepreneurial spirit. I can assure you that the President’s tax cuts and economic policies played a major role in this recovery, by helping to restore market confidence, investor confidence, business confidence, and consumer confidence. I watched the tax cuts and economic policies change behavior in very real and tangible ways.”

Only if the “confidence” Paulson is talking of is interpreted

as a “confidence game,” does his statement bear any resemblance to reality.

A Schachtian Model for the World

“The overall dynamism and strength of the U.S. economy remains the model for the rest of the world,” Paulson intoned. As an example, he cited the “income mobility” of the American population, as a sign of allegedly great opportunities opening up for the workforce. In fact, this mobility would be better described as labor recycling, whereby hundreds of thousands of high-paying industrial jobs are replaced by low-paying jobs in service industries. Paulson admitted that “the average American between the ages of 18 and 38 has held slightly more than ten jobs”—which he didn’t seem to think was a problem. He claimed that the “bulk” of these job changes increased the wages of the job changer, but admitted that “income mobility can be downward as well.”

(This latter is a fact well documented by any honest look at purchasing power in the “post-industrial” era of the last 30 years.) What was important, Paulson said, was the “volume of mobility,” not the long-term impact of the policy on the physical economy, or the standard of living, of the nation.

Paulson then launched into his discussion of the major government entitlement programs which he claims must be cut. “The cost to the Federal government of these three programs [Medicare, Medicaid, and Social Security], without fundamental reform, is projected to more than double, from the current level, 8% of GDP, to nearly 17% by 2060. If left unchecked, these programs would significantly impair our economic flexibility and erode our competitiveness.”

Here the new Treasury Secretary is simply repeating the monetarist arguments of those, like Administration Godfather George Shultz, who tried to push through the privatization of Social Security during President Bush’s first term; he proposes to abandon the standard of the general welfare, in favor of “competitiveness”—i.e., to benefit the financiers who game the market.

Paulson listed as other priorities: “I believe in a strong dollar . . . determined by open and competitive markets”; energy security; and free trade and the “global economy.” “But I must tell you, in all candor, that I am very concerned about the anti-trade rhetoric I hear coming from some quarters here and around the world.” Taking absolutely no cognizance of the need the U.S. economy has for the industrial jobs it is losing, Paulson told the “hard-working men and women” who have lost their jobs not to worry about it, but to become “more competitive.”

Lyndon LaRouche concluded that by this speech, “Paulson has put himself high on the list of those who are dangerous to the U.S. economy.”

'Locust' Lone Star Belongs to Texas Circles Backing Bush

by Helga Zepp-LaRouche

The author leads the Civil Rights Movement Solidarity Party, BüSo, in Germany.

The American private equity firm Lone Star, and its associated mortgage banking broker, Hudson Advisors, are now in the process of taking homes away from thousands of Germans, using methods that have nothing to do with the original conditions under which the mortgages were taken. According to *Der Spiegel* magazine, the methods by which these robber capitalists demand usurious interest payments, forced sales, and “for 35,000 euros destroy my life,” as one victim charged, are in all probability illegal, and in any case, absolutely inhuman. It is scandalous, but not surprising, that Lone Star and Hudson Advisors are connected to financial circles in Texas around the Bush family.

When the Hypovereinsbank's Hypo Real Estate sold the debts of thousands of homeowners to Lone Star in 2004—upwards of 250 billion euro of such contracts were sold to private equity firms in total, in this period—Hypo delivered its former customers to one of the most rapacious and unscrupulous hedge funds. The victims were in the dark, and after the expiration of German law's two-year period of protection, Lone Star and Hudson Advisors forced through interest rate increases up to 50%, in an attempt to force court auctions and the expropriation of the houses.

Affected are thousands of homeowners and small investors in the western states, and even larger numbers in the former states of East Germany. Hudson Advisors, which, according to *Spiegel*, does “the dirty work” for Lone Star, proceeds with this task like berserkers. They exploit the legal naïveté of their victims or their lack of financial resources to hire expensive lawyers, to seize bank accounts and to send court officials for the forced expropriation. Before a legal battle can be carried out, the damage has long been done, the house sold, and the *Heuschrecken* (locust) fund has moved on.

The German head of Lone Star, Karsten von Köller, former president of the German Association of Mortgage Banks, described the business methods of the equity companies, in a speech last year in Frankfurt on Main: “The caravan moves on after a 3-4 year phase of workover,” he said.

In fact, during the 1990s in the United States, Lone Star made double-digit profits on bad debts, and then moved on to Japan and South Korea, and later to Germany, where it is now plundering property owners. That usury and forced sales are

not enough for these financial sharks, was shown in South Korea, where the head and founder of Lone Star, John Grayken, felt obliged to pay reparations of \$100 million won for the fact that the former manager of Lone Star, Steven Lee, engaged in million-dollar frauds and tax evasion, for which a security sum of \$750 million won has been deposited until the final volume of the tax fraud can be established.

Grayken denies the charges of South Korean investigation officials that, in the course of the sale of the Korea Exchange Bank and the Kookmin Bank, Lone Star had falsified documents. Lone Star arrived in Korea with other funds during the Asia crisis of 1997-98, and engaged in the purchase of troubled firms for fire-sale prices, and then resold the firms for high profits. Thus, in Korea alone, Lone Star made a \$4.4 billion profit, which incensed the population, especially because Lone Star also avoided paying taxes by using “subsidiaries” in tax havens.

“The public rage is so great, that the current government could be driven from office if it doesn't find a way to collect the taxes,” according to Professor Chun Sam Huyn of the Soongsil University, in a recent interview. The next Korean Presidential election takes place in 2007. Grayken managed to get a foretaste of this rage when he left the press conference where he announced his reparations-payment. Twenty union members from the Korea Exchange Bank greeted him outside with the chorus: “Let us destroy the foreign vulture funds!” Their plaquards announced that Korea will not accept the “pocket change” of Grayken's donation to buy off the investigation.

What Is Lone Star?

Lone Star and Hudson Advisors have their offices on the 21st and 22nd floors of the an office building in Dallas. According to *BusinessWeek*, founder John Grayken is a protégé of Texas billionaire Stephen Bass. The Bass brothers belong to the Bush league in Texas and, just to take one example, financed the oil drillings of George W. Bush in Bahrain. The chief Bass money manager, until he went off on his own, was Richard Rainwater, one of the investors in the Texas Rangers, along with George W. Bush. When Rainwater became manager for the Bass brothers in 1970, they had an inheritance of \$50 million; when he left the post, their worth had climbed to \$4 billion.

Equally profitable for George W. Bush was his coopera-

tion with Rainwater in the Texas Rangers, which brought him \$15 million. When Bush was elected governor, more than 60% of his income came from businesses where he and Rainwater were partners, according to his 1994 financial disclosure statement, as reported by the Center for Public Integrity. One of Rainwater's first ventures after leaving Bass Enterprises was the creation of Columbia/HCA, the notorious health maintenance organization (HMO).

Lone Star is currently the market leader of equity companies in Germany, whose core expertise, according to *Spiegel* is to "cut out the filet pieces, break off, squeeze, and sell off." The Hypovereinsbank was involved in the sell-off of credits, as well as of the Berlin Bank Society. Average profit margins of 22% on the buyer side have in turn drawn in others, like Crédit Suisse, Goldman Sachs, Deutschebank, and Commerzbank.

The attack of Lone Star and Hudson Advisors upon thousands of homeowners is but a part of the attacks on real values in Germany, by which similar Locusts eat up anything they can bring into their grip: *Mittelstand*/mid-sized companies, public housing, pension funds, private health insurance, municipal infrastructure (electrical, water, sewage, garbage dis-

posal), and even publicly owned castles.

Behind these attacks are Synarchist financial interests, who grab these real values, using public relations slogans like "Public Private Partnership," with the guaranteed result that the costs to the public will rise massively, and the life expectancy of the lower 80%, the forgotten men and women, will be shortened. Privatizing everything is a step back to feudalism, prior to the establishment of the nation-state and its defense of the common good.

And why do the parties in the Bundestag permit this unprecedented rape of the public welfare? Why do they pass laws which in fact encourage such theft? The answer is not so difficult. When Hudson Advisors bought the real estate mortgages in 2004 from the Hypovereinsbank, they were advised by the U.S. law firm, Mayer, Brown, Rove, and Maw, which recruited CDU politician Friedrich Merz to the firm the same year.

The deals of the Berlin Bank Society supposedly won't play a role in the coming Sept. 17 elections to the Berlin state government, at least according to the common opinion of those represented, from the Christian Democratic Union (CDU) to the Left Party. The Büso, is of another opinion!

Behind the Texas Locusts

Lone Star was founded in 1996 by John Grayken, a protégé of Texas billionaire Robert Bass, one of the Bass brothers of Ft. Worth. A quick look at the Bass family milieu provides a snapshot of the synarchist nest which has played a role in controlling the Bush family, as well as the political right-wing in the United States.

The Bass family inherited its money from their uncle, Sid Richardson, the "bachelor billionaire," and then used their talents to expand that inheritance several times over. Richardson was a real piece of work, part of a network of right-wing kook oilmen who funded Joe McCarthy and his "anti-Communist" witchhunt, the John Birch Society, and, according to some reports, the American Nazi Party.

Richardson and his buddy Clint Murchison were among the people who funded Permindex, the synarchist assassination bureau behind the murder of John F. Kennedy. The manuscript "Nomenclature of an Assassination Cabal," published under the pseudonym William Torbitt, identified Clint Murchison and "John Connally, as the executor of the Sid Richardson estate," as among the "principal financiers of Permindex," along with oilman H.L. Hunt, Schlumberger chief Jean de Menil, Brown & Root founders Herman and George Brown, mob lawyer and McCarthy aide Roy Cohn, and others. Connally, later a Governor of Texas and the Treasury Secretary when the

U.S. government opened the door to the barbarians by taking the dollar off gold in 1971, was, with de Menil, a member of the infamous Tryall club in Jamaica, founded by intrepid British intelligence agent William Stephenson.

That such a collection of nasties would be found in Texas is lawful, given the state's status as a virtual colony of the Anglo-Dutch imperium, dating back to the days of the founding of the King Ranch, the fascist political operations of the infamous Col. E.M. House, and the geopolitical colossus known as the London-centered oil cartel. The King Ranch and its adjunct, the Armstrong Ranch, have played host to some of the best-known oligarchs in the world, such as Britain's Prince Charles, and some of the most powerful, such as the late Johannes von Thurn und Taxis, a Prince of the Holy Roman Empire, whose family is the hereditary head of Venetian intelligence. The Ranch's resident spook (and former U.S. Ambassador to Britain), Anne Armstrong, played a major role in the rise of the Texas Republican Party and the political career of George H.W. Bush. It was at the Armstrong Ranch, not coincidentally, that Vice President Dick Cheney mistook his hunting partner for a quail, and it was former Halliburton director Armstrong and her daughters who decided to release the information to the public, well after the fact.

This synarchist cell, steered by the oligarchy's private intelligence apparatus and funded by the oil cartel, is what created the right-wing nuts like Sid Richardson as a political force, and what is behind the Texas locusts.

—John Hoefle

Stop the Sell-Out of Germany!

Locust funds, on a takeover offensive, are seeking a Summer of spectacular inroads into the German economy.

On the sidelines of the mid-July meeting of the American Chamber of Commerce, held in Dresden, hints were made about a “Summer of spectacular inroads into German business,” by hedge, equity, and other investment funds, called “locust funds” in Germany, because of their voracious conduct. These funds are zeroing in on: publicly owned housing companies which cash-strapped municipalities have been convinced to sell, to improve their budget situation; heavily indebted *Mittelstand* (small- and medium-sized) industrial firms, whose non-performing loans the creditor banks want to sell off; and other public property, like urban transport systems, which desperate municipalities have agreed to privatize. Two weeks after these rumors from Dresden, the “Summer offensive” has been launched, while the politicians and financial watchdogs are on their Summer recess between the end of July and the beginning of September.

In a historic first on July 24, the sale of 51% of the city of Pforzheim’s bus system, to the French conglomerate Veolia, was announced, to “save” Pforzheim more than 20 million euros for running the bus service over the next ten years. Pforzheim is the first city in Germany to sell a majority of a public transport system to a private investor. Veolia’s transport division hopes to get more such deals, with other cash-strapped municipalities. Veolia is part of the former French Vivendi conglomerate, put together during the late 1990s by ex-Lazard banker Jean-Marie Messier (who has

quit Vivendi in the meantime).

On July 24, another historic first was announced: the sale of state bank shares. Twenty-seven percent of the HSH Nordbank, the joint central bank of the two northern German states of Hamburg and Schleswig-Holstein, are being snapped up by the U.S. hedge fund Cerberus, from West LB, the central bank of the German state of North Rhine-Westphalia. When the government of Schleswig-Holstein also sells off its 20% share of HSH Nordbank, as is planned, the new private owners would become the actual majority owners, holding 47% of its shares.

A few days later, the municipality of Erfurt announced it would sell 5,100 (25%) of its publicly owned housing agency KoWo to a private investor, and the municipality of Freiburg wants to do the same, selling 90% of its respective agency (8,300 apartments). This pattern follows the example set by Dresden, which, in early March, sold off its entire public-housing sector WoBa, of 48,000 apartments, to the U.S. fund, Fortress, hoping to get rid of its entire public debt. The price that Fortress paid, 1.7 billion euros, led real estate insiders to surmise that “something other than just helping Dresden out of its indebtedness” was behind behind the deal. Experts told this author talked to, in March, that they suspected Fortress of planning something “big” later this year, when most of these newly acquired apartments were put on the market, unleashing a new round of real estate speculation.

In fact, Fortress made an an-

nouncement alluding to this, on July 24, saying it would sell 40% (64,000) of the 160,000 apartments it owns, on the stock market, beginning in October. With a transaction volume of about 1.5 billion euros, experts expect this move to cause other locust funds in the real estate and housing sector, such as Cerberus, Terra Firma, and Morgan Stanley, to begin mass sales as well. The big sale operation has a dual face, however: On the one hand, the usually heavily indebted funds are increasingly forced to liquidate property, to make money to pay old debt; on the other hand, some funds hope to buy cheaply, when mass sales by other funds drive prices down. Six hundred thousand formerly publicly owned German apartments are already in the hands of private funds, which are eyeing the other 2.1 million for takeover.

The aggressive nature of the funds that earned them their popular name, “locust,” is particularly underlined by the conduct of the British Terra Firma group. On July 25, the press in Germany reported that Terra Firma forced a 50% increase in debt on its German expressway service station operator Tank & Rast. The combined debt is going to be paid for by decreasing number of service stations (now 340), and increasing the leasing rates—in many case doubling them from 2005 to 2007. Such price increases can also be expected by renters of the recently privatized apartments.

Terra Firma, which only put down 300 million euros of its own, pulled off the caper with the assistance of two prominent synarchist banks—Royal Bank of Scotland, and Société Générale. This case underlines the urgency for legislation that bans these kinds of heavily leveraged takeover operations. But for such legislation to be discussed, the lawmakers and financial watchdogs first would have to return from their Summer holidays.

Industry Is Rebuilding Its Nuclear Manufacturing Capacity

by Marsha Freeman

It has become clear to at least one company planning to build new nuclear power plants in the United States, that the industrial and manufacturing infrastructure that existed in the 1970s, and has been dismantled, must be rebuilt. The majority of the hundreds of facilities that then produced nuclear components disappeared after the halt in new plant orders and cancellation of more than 100 existing orders under the Synarchist bankers/anti-nuclear “greenie” assault that started 30 years ago.

With more than a dozen electric utilities now taking the first, tentative steps toward ordering new, next-generation light water nuclear reactors, suppliers are faced with having to import major heavy nuclear components from abroad. But some are mobilizing the resources to start the process of resurrecting the nuclear plant manufacturing industry in the United States.

At the National Press Club on Aug. 1, executives of European-based nuclear supplier, Areva Inc., electric utility Constellation Energy, and heavy component supplier BWXT announced their goal to manufacture Areva’s new Evolutionary Pressurized Reactor (EPR) in the United States, with 80% of the materials and manpower supplied domestically. Toward this goal, BWXT will start to produce pressure vessels and other heavy components for nuclear power plants, for the first time in two decades.

But to manufacture more than a handful of plants, and to get ready for the hundreds that are needed in the U.S. alone in the next two decades, a nationally directed effort will be required. The enactment of Lyndon LaRouche’s Economic Recovery Act, which would make new nuclear plants a matter of national economic security, and direct low-interest credit into an industry that barely exists today, is the pathway to a nuclear renaissance.

That a massive upgrading of the U.S. electric grid, including the construction of baseload nuclear power plants and expansion and technology upgrades of the transmission system, is needed immediately, was noted by Mike Wallace of Constellation Energy. “It is going to be over 100 degrees today and, as the temperature soars, so does the demand for electricity,” he stated at the press conference. “Without sufficient baseload power, the rolling blackouts of 2003 could be a continuing challenge.”

Wallace pointed out that there are “already shortages,

along the whole East Coast/New England/Mid-Atlantic, the West Coast, to some degree, areas of the Midwest, and Texas.” He noted that the question from utilities to the nuclear industry is, “how fast can you get it here? and why can’t you go quicker?”

Tom Christopher, CEO of Areva, Inc., reported that growth of electricity demand in the United States last year was forecast, on average, to be about 1.8%. The actual growth of electricity demand was 3.4%. “This creates a shortfall within two or three years of between 20-30,000 megawatts a year. It creates the distinct possibility of brownouts in the United States within 3-4 years. This is not a hypothetical ‘what if?’ ”

Last Fall, Constellation Energy and Areva formed Uni-Star, to put together teams that will design and build new plants, and train personnel to operate the new plants. On Aug. 1, they announced that the manufacturer BWXT will join their consortium.

Christopher explained that “with the promise of new nuclear construction, questions emerged regarding the capacity and the industry’s infrastructure to meet demand.” They realized it was necessary to “bring manufacturing back to life.” John Fees of BWXT added that “for more than three decades, the domestic commercial nuclear infrastructure has faded, but now the reemergence of nuclear power is taking shape.” BWXT is “the only remaining company in the U.S. with the capability and the infrastructure to manufacture reactor vessels, closure heads, steam generators, and pressurizers, and all of the major heavy components that go into building a reactor.” They will be building these components for Areva’s fleet of new advanced EPRs.

This reporter asked if these companies had looked further down the supply chain for nuclear plant components, and had considered a role for the increasingly idle capacity in the U.S. auto industry, with its reservoir of highly skilled manpower and production facilities, for the production of modular components for new nuclear plants.

Christopher said they are surveying all of industry to see what capabilities can be mobilized. “We have the auto industry and its subcontractors on our list of vendors to talk with, as well as the nuclear shipyards and others. But I don’t think that dialogue will get very detailed until some time next year [when they’ve come closer to completing the final EPR reactor design].

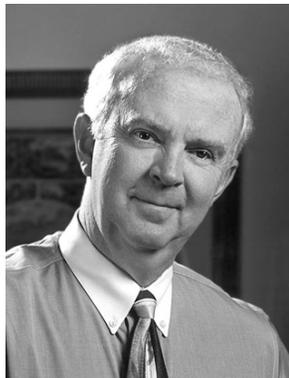
He added, with optimism, that if this new venture is successful, “within five or six years the scale of this facility would approach that of Areva’s Chalon St. Marcel Heavy Equipment Manufacturing Facility,” which today can manufacture 20-24 steam generators and some reactor vessel heads.

Asked by *EIR* what problems his factories could face in securing needed materials, if there were a serious new nuclear plant build-up, John Fees of BWXT, pointed to the “need to overcome problems with long-lead materials, Inconel [a nickel-base alloy with chromium and iron], in addition to forgings and tubing. There are going to be places in the future where there is going to be limited capacity in many areas. Beyond one EPR per year, we may need machine tools, we may need fabrication and other manufacturing capability,” Fees stated.

While a good start in the right direction has been made to bring back a nuclear power plant manufacturing industry, mass producing nuclear plants, surpassing the 100 or more under design or construction in 1973, requires a national mobilization, similar to that President Franklin Roosevelt carried out, to bring the U.S. economy back from the grave during the first Great Depression.

Interview: Tom Christopher

Tom Christopher, CEO of Areva, Inc., the U.S. subsidiary of Areva, was interviewed by Marsha Freeman on Aug. 1.



EIR: We have been working on a project to look at what it will take to rebuild the manufacturing infrastructure of the U.S. nuclear industry. What background and experience do you bring to bear on the effort to revive the production of new nuclear plants?

Christopher: I went into the naval nuclear submarine program in 1967, and left in 1973 as a qualified engineer on a Navy nuclear plant. I then joined Westinghouse’s nuclear organization, and in 1973 I was involved in the construction of several of the nuclear units at that time—Salem, etc. For the last ten years I was there, until 1995, I was the Vice President and General Manager of Nuclear Engineering, Nuclear Service worldwide for Westinghouse Nuclear.

In 1996, I was assigned to Orlando, Florida, to the Westinghouse Power Generation Division in charge of the service side of their business. I was there for 5 years, and in 2000 was moved back to this joint venture between Framatome and Siemens. Siemens purchased us in Orlando at that time. I

headed this joint venture in the nuclear business in the United States for Framatome and Siemens [now Areva]. So since 2000, I’ve been the head of that nuclear program in the United States.

Except for that five years in Orlando, I have more than 30 years of experience in commercial nuclear power. I have the dubious distinction of having been to every nuclear plant in the free world, and every one in the United States at least ten times.

EIR: You were involved in the industry when it was going full bore. Can you describe what the industry was capable of doing in the 1970s?

Christopher: The benchmark I have used, is the data from our files. They indicate that the heyday for nuclear power in the United States, for construction, was 1973. At that time, there were 162 nuclear plants on order: a significant portion of those were under construction, the others were under design. At that time, there were four large facilities making nuclear components. You had the Chattanooga facility, the Mount Vernon facility, the Tampa facility, and the Pensacola facility. The last of those facilities operated into the early 1990s, when the Pensacola facility stopped manufacturing nuclear components.

EIR: One of the first capabilities that we shut down was the facilities that made the largest components, such as pressure vessels, for nuclear power plants. Today we cannot manufacture them in the United States. Recently BWXT reapplied for and received nuclear certification to produce pressure vessels. What other components would be a problem in terms of domestic manufacturing?

Christopher: One part of our announcement today, is that we now have a joint venture with BWXT to reestablish the Mount Vernon, Indiana facility as a large nuclear component manufacturer. There you can make reactor vessels, steam generators, pressurizers—the large nuclear components.

To clarify—when you talk about manufacturing large nuclear components, the first step in that process is what they call forgings. So, for example, picture a reactor vessel head, which is like the closure piece, or top hat, for a reactor vessel. You need a manufacturer who can pour a hot ingot of steel and press that into a rough shape of that closure head, and give you this roughly machined forging, roughly in the shape of a head. Then that head is shipped to a manufacturing facility that does the precision machining, cladding, surface finish, and welds on any attachments, such as the control rod drive mechanisms, etc., and then it ships it. So what we are talking about [at the BWXT Mount Vernon plant] is the manufacturing side, not the forging side.

EIR: Where would BWXT get the forgings?

Christopher: We got our first order last week for replacement reactor vessel heads for the Diablo Canyon nuclear



The U.S. nuclear manufacturing capability has declined greatly over the last 30 years, but the super-sized 1,650-megawatt-electric generator for the Evolutionary Pressurized Reactor nuclear plant that Areva is building in Finland (shown here), is being made in the Siemens facility in Charlotte, N.C.

Courtesy of Areva, Inc.

plant, for two units. Those forgings will be supplied by Japan Steel Works, JSW, and be shipped to the Mount Vernon facility in Indiana where all the rest of the work will be done.

EIR: Is Japan the only country that can produce the forgings? What is their manufacturing capacity?

Christopher: For these super-large forgings, JSW is currently the only one. My associates in France have just announced that they are in the final stages of acquisition negotiations with Creusot Forge to acquire that for Areva and set it up as a second large forging supplier. We continue dialogue and examinations in the United States to see if we can re-qualify a U.S. company for large forgings for commercial nuclear plants.

EIR: What companies used to manufacture forgings used by the U.S. nuclear industry in the 1970s?

Christopher: You had Creusot which made forging throughout Europe, and Japan Steel Works. In the U.S., I think Bethlehem Steel was making large forgings.

EIR: Is there interest in reestablishing the capacity to do the forgings here?

Christopher: There is still a company left in the Lehigh Valley in Pennsylvania that makes nuclear-grade forgings for the military. It is not qualified to make them for commercial nuclear, and we are looking at what it would take to get them qualified, and to expand their facility.

EIR: Can you give us an idea of what the global capacity is for manufacturing new nuclear plants worldwide?

Christopher: The numbers vary. What you hear people say is that with just the critical forgings coming out of JSW, we would be limited to probably no more than eight nuclear plants a year around the world. JSW also makes forgings for industrial components like petrochemical plants, so 100% of their facility is not dedicated to nuclear, so there is some variability in those numbers. But very clearly, JSW cannot support a global market of more than 15 or 20 plants per year.

EIR: What is the purpose of the announcement that will be made later this morning, concerning the rebuilding of the nuclear industry?

Christopher: This first venture is just to reestablish Mount Vernon as a commercial nuclear manufacturing facility, and we are providing the engineering and the latest manufacturing technology from our facility in France, because the process of getting them up to speed to these techniques, getting their personnel qualified, that's a process of a year to a year and a half. We're committed to go down this road with them.

As part of our studies as UniStar we're examining a variety of other vendors in the United States to see what we do about rebuilding U.S. infrastructure. In some cases it's fairly robust, in other cases, it's not. This is a process we're going to be at for the next two years. A good example is the Finland nuclear plant. The electric generator for that plant, the super-sized generator that is 1,650 megawatts-electric, is being made in the Siemens facility in Charlotte, North Carolina; not in Europe, but in the United States.

EIR: What is the major function of UniStar?

Christopher: Unistar will develop a complete portfolio for

nuclear plants, in order to offer to a customer a one-stop-shop for new nuclear plants. Let me explain.

When you look at the 1970s and the '80s and the struggles that the industry had in building nuclear plants, utilities found themselves in the mode of a single utility with its project team negotiating and continually managing separate contracts: one with the nuclear company that was supplying the components, another for the architect engineer who was doing the design, another for the contractor who was building the site, another for the civil works, another to train the operators, etc. Their ability to manage those multiple contracts under intense activity levels to support nuclear really strained them and caused a lot of re-work.

We're saying we're going to develop this advanced prospectus for a standardized plant, where basically by the time they're ready to build, we will have completed 95-100% of the engineering. With Constellation, we will have formed an operating company that can operate the unit for them, with them as part owner, and do this on a standardized basis. We are developing the standard plant model that they can buy into if they choose. Instead of just being the nuclear vendor, we're working with Bechtel as our subcontractor and with Constellation, to develop a seamless contract, so utilities that are small, and don't have large nuclear engineering organizations, have a potential solution for new nuclear plants.

EIR: What has been the effect on the operation of nuclear plants, of the consolidation of the industry, where only a handful of companies operate the U.S. nuclear fleet?

Christopher: When you look at the statistics for the operating fleet, the units that are running the best and have the lowest operating and maintenance costs are those units that have fleet operations. And while there are single-unit nuclear plants that are doing fairly well, the majority of the units in the top quartile of the U.S. are the fleet operators. There's a fairly clear message that the economies of scale, the depth of resources that a multi-unit operator can provide, give you better performance.

EIR: What is the manpower challenge for the rebuilding of the industry and operation of new plants?

Christopher: The manpower challenge is fairly severe, due to attrition and the age of the existing industry. It is fairly significant in terms of size. For example, Areva's nuclear organizations in the United States employ 3,300 people, working solely on commercial nuclear power plants. However, when you look at our age profile, and that of the utilities, and nuclear-related vendors, like architect engineers, you've got an industry that is aging rapidly; whose median age is probably over 50 years old. When you factor in retirements, it's an industry that is going to require 10-20,000 new people over the next four to five years.

EIR: Is the industry taking any steps to increase the educa-

tional pipeline?

Christopher: Yes. If you talk to the colleges that have nuclear programs, the amount of scholarships and the support of those colleges has increased ten-fold in the last three years. The recruiting is aggressive, and the number of students has almost doubled in size in the last three years. The message is getting through to the student population about a career in nuclear. That will take a while, so you have vendors like us who are taking people who came to us from high school, that we're putting through training programs, getting certifications, so we are developing supplemental pipelines, of people of all age groups that we are training, who are getting their engineering degrees while they're working with us.

EIR: It has been recently reported that the new nuclear plant that Areva is building in Finland is now behind schedule. It is the first Generation 3+ Areva design, the Evolutionary Pressurized Reactor. What are the challenges in building this first-of-a-kind?

Christopher: The challenge is due to the demand of the utility, and when they wanted it. That plant was sold with the final design [only] about 25-30% complete. Therefore, we are in a mode of where we're constructing the unit, completing the licensing in parallel, and completing the design, with a utility that requires rigorous review and approval of every design aspect—literally tens of thousands of documents have to be reviewed and approved by the utility. The logistics of that process have proved to be more than the resources of people there to support it, and has bogged down all of the work. That's the bad news.

The good news is that based on the learning curve they're going through, we're able to use that information, complete that design in the U.S., and with the current one-step U.S. licensing process, put ourselves in the mode where we will have completed the licensing and the design *before* we break ground, which would be in about three years. The message out of Finland is: Don't start construction or get a contract on a plant, if you haven't completed the design. And the fact that we're the one vendor that will have completed this design in the next two years, gives us a tremendous leg up.

EIR: You mentioned breaking ground in three years. Have you received any orders for Areva's EPR in the U.S.?

Christopher: A new order is a three-step process. The first step is to make a commitment to file a combined construction and operating license. That process can cost the utility between \$40-80 million. The license is good for 40 years. You have a series of utilities now that are making a commitment for this licensing process, and that's all. They will see how this goes along. For example, Constellation Energy has given us an order for this licensing process, and we've begun to submit the documents to the Nuclear Regulatory Commission.

The second phase is some time into the licensing process,

when you would order the long-lead major components, like the reactor vessel and steam generator, because you need to order them about 7-8 years in advance of when you want the plant on line. In the second phase, you can commit from \$50-200 million for these long-lead components.

Then, when you get the COL granted [by the Nuclear Regulatory Commission], which can be three, four, or five years, you have your license, and you break ground, and do the construction in 44 months. The construction contract would cost between \$2-2.5 billion depending upon the type of plant you build. There is no customer in the United States that has authorized all three phases.

EIR: How would you accelerate the schedule and reduce the lead time for the components that you stated would take seven or eight years?

Christopher: You have to increase the pipeline on forgings, which we've talked about, because a lot of this delay is caused by the fact that it is just JSW [that is producing the forgings]. So over the next two to three years if we can get three major manufacturers going in terms of forgings, we could shorten that lead time by a year and a half to two years. Even so, if you wanted a plant [operating] in 2015, and you wanted the major components on site by 2013 or late 2012, you're going to have to order them in 2008.

It's theoretically possible if you had plenty of room to do the entire cycle for a nuclear component in 36-40 months, but we're not there yet.

EIR: How long would it take to get there, to ramp up the industry to work on many more long-lead-time components at the same time?

Christopher: I think we're three or four years away, depending upon how much money the industry is willing to put into it.

EIR: The Energy Act that became law one year ago provided financial incentives, in the form of loan guarantees and production tax credits, to encourage the building of new nuclear plants. How important are the financial incentives to the industry?

Christopher: It is *the* key issue, because while the law was passed, the Act has not been written, so the customers are waiting to see what the final words will be, for example, on the loan guarantees. Because if you look at a new nuclear plant, the loan guarantees are a \$20-25 per megawatt-hour difference. When you look at the financing costs of a nuclear plant, if the plant costs you \$2.5 billion, or \$3 billion, if you have the loan guarantees, in 2006 dollars, this is a unit that can produce power for \$35/megawatt/hour. If you don't have the loan guarantees, it's going to cost you \$57-58/MW/hr.

EIR: Is that difference due to the fact that the financing cost would increase because financial institutions see a greater risk without the government loan guarantees, and interest rates

would be higher?

Christopher: Yes. And the difference is huge. You're not going to see any customers get into an aggressive phase 2 or 3 of these nuclear plants in terms of major commitments until they see the exact wording of the loan guarantees. We're probably six months away from getting the approved legislation. There are informal drafts being circulated. We're told there is a set of loan guarantee guidelines to come out in the next month.

EIR: I know that Areva in France provides reprocessing services for the back-end of the fuel cycle, or the spent nuclear fuel. The U.S. has no capacity to reprocess spent fuel from commercial power plants. The Bush Administration has a proposal to create a Global Nuclear Energy Partnership (GNEP), one goal of which would be to develop reprocessing technologies. Where does Areva in France fit into that program?

Christopher: We hope to support it. The biggest practitioner in the world for reprocessing is Areva, both with the facility in France and the facility Areva has built for the Japanese in Japan. To us, there is a place for recycling as part of the GNEP process. We are helping the Department of Energy make decisions by giving them access to our technology. Right now GNEP has such a long-term focus, all of us are wondering what near-term benefits it can have.

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In his final book, left unedited before his death in 1945, The Chemical Structure of the Earth's Biosphere and Its Surroundings, Russian/Ukrainian scientist Vladimir Vernadsky examined the cosmic dimensions of the formation of the Earth's biosphere. Before there was the technology available for the in situ study of the Earth's neighborhood, Vernadsky proposed that only by situating the development of the Earth and its biosphere in the context of the development of the cosmos, could we understand our home planet.

Academician Erik Galimov is the director of the Vernadsky Institute of Geochemistry and Analytical Chemistry in Moscow, which was created by Vernadsky and named for him after his death. Academician Galimov sits on the Presidium of the Russian Academy of Sciences, and has directed the Institute since 1992. He is also the vice president of the International Association of Geochemistry and Cosmochemistry, and Chairman of the Committee on Meteorites. He is a member of the Advisory Commission of the Academy of Sciences on the Cosmos, and editor of the journal Geokhimia.

Academician Galimov was interviewed by EIR's Technology Editor, Marsha Freeman, in Beijing, China, on July 26, during the 8th conference of the International Lunar Exploration Working Group. At that conference, Galimov presented the Institute's controversial theory of the origin and creation of the Moon. Further coverage of that conference will appear in EIR.

EIR: Can you describe the history of the Vernadsky Institute, and some of the areas of research that its scientists have been involved in?

Galimov: The Institute was founded as a chemical laboratory, and was first located in Petersburg. Then, during the Second World War, it was shifted to Moscow. In the beginning of 1945, Vernadsky died, and he was succeeded, in his leadership of the laboratory, by his student, A.P. Vinogradov.

After the war, you remember the situation—there was an atomic project, and for this project, the plutonium for weapons had to be very pure. It was important to do very accurate and sensitive analytical work with plutonium to make sure it would be good enough to be used. When people involved with the atomic program looked around to see who could do this work, they discovered that the best ones were in the

biogeochemical laboratory, which had nothing to do before with such things as weapons. The laboratory had made very good measurements on the composition of marine entities.

In fact, the United States had published the thick volume of work by Vinogradov, entitled, *The Chemical Composition of Marine Organisms*. It is probably the best volume of data, with very high precision; that was why the biogeochemical lab was invited to do this work. It was successful work, and the lab provided what was needed, with good accuracy and reliable results. After that, it was transformed into the Institute for Geochemistry and Analytical Chemistry. It was under the Academy of Sciences from the beginning. Work on the atomic project was done between 1945-1949. In 1949, the Russian atomic bomb was successfully tested. It was not the end of this work, but was the end of this phase in which the laboratory was involved.

EIR: What work followed that, for the atomic bomb project?

Galimov: The next phase was related to space research. That is why I am here at this conference!

Academician Vinogradov, who was director of the Institute, thought about global geochemistry, and if you are thinking about planetary geochemistry, you unavoidably come to the conclusion that you should compare this planet with other planets, and with the Moon. When rocket facilities were being developed, Vinogradov was one of the leading scientists in Russia who suggested that missiles, which were designed for military purposes, should be used for launching [the first Earth satellite] Sputnik, and then for research of the Moon. Vinogradov was the first to propose this.

The first launch of a Soviet lunar mission was in 1959. It was not quite successful because it flew by the Moon, but the next one delivered some man-made equipment to the Moon's surface. Then, we flew a spacecraft, for the first time, to the far side of the Moon, which mankind had never seen before. Our Institute was involved in this work.

The first lunar samples were delivered by our automatic spacecraft. (These were unmanned; Apollo was a manned mission.) We had robotic missions—Luna 16, Luna 20, Luna 24—and those missions collected samples from the Moon's surface and delivered them to Earth. In fact, to the present time, these samples are deposited and preserved in a special laboratory in our Institute.

We were involved in almost all of the planetary missions. The next was to Venus, where data were collected by the spacecraft Venera 1-16; the same for Mars. We have many institutions related to space research.

EIR: What is the Vernadsky Institute's relationship to IKI, the well-known Institute for Space Research?

Galimov: We have one institute that designs and produces spacecraft frames, and that is Lavochkin. Another produces rockets, which is Khrunichev. And the Institute for Space Research—IKI—mainly deals with the engineering systems for spacecraft, such as its orientation to the stars, and service systems. They do the communications and control systems, and develop some of the scientific instruments, but not that many.

We design the instruments and do the analysis and data interpretation. IKI has no interpretation system. This is completely our part.

EIR: What other areas of research is the Institute involved in?

Galimov: Of course, our Institute does analytical chemistry. From the beginning, we were involved in the analysis of the chemistry of radioactive elements. This goes back to the atomic project.

EIR: Actually, I believe it goes back further, to the beginnings of the study of radioactivity that Vernadsky himself was involved in.

Galimov: Of course, but we have a big laboratory with remote manipulators, to deal with very high levels of radioactivity, with transuranic elements [those having an atomic number greater than 92 (uranium)], and it is much more serious work.

More recently, we applied this work for ecological control, to study radiation after Chernobyl [the 1986 nuclear accident in Ukraine]. We have teams that collect samples and measure the radioactivity, to predict safety, and recovery work.

Moreover, we have an oceanographic ship, which is also part of our Institute. One of our recent projects was a study of the radiological situation in the Arctic Sea, measuring the levels of cesium, strontium, and plutonium. Why?

The Kara Sea is part of the Arctic Ocean, along the coast of northern Russia, where many of the atomic, thermonuclear tests took place, in Novaya Zemlya. It is not a secret that our North Fleet contained many atomic submarines. You had to do something with the radioactive waste, and when the time came, the atomic reactors were buried there. We had a big icebreaker with several nuclear reactors in it, which was also buried in this area.

Another former "secret" is that there are two big rivers, the Ob and the Yenesei in Siberia, that flow into the Kara Sea. Both rivers, on their banks, have factories that deal with plutonium. If something happened, an accident, radioactive



G. Makarov

The Vernadsky Institute monitored radiological levels in the Arctic Sea, measuring levels of cesium, strontium, and plutonium, because spent reactors of nuclear submarines and an icebreaker were buried there, said Galimov. Here, an atomic icebreaker.

pollution would go through the rivers, to the Kara Sea, and then to the Arctic Ocean.

The public and the whole world were interested in the radioactive situation there, because if we pollute the Kara Sea, the circulation of water would quickly spread the radioactivity to other places—to Canada, the U.S.A., Alaska, etc. We were the first to very carefully measure the radioactive situation in this region. We asked the authorities to invite our foreign colleagues to participate in our expeditions, and we gave them the opportunity to collect samples and make measurements themselves.

EIR: What did you find?

Galimov: We found that there is nothing special, from the standpoint of radioactive safety. The radioactivity in this area is no higher than some other places. There is some difference in very specific places, but the [integrity of the buried reactors] is still preserved, and there is no leakage. Now, the area is open for testing for everybody.

Our ship is mostly used for geochemical and geological study. You probably know the *Glomar Challenger*? It is a

deep-sea drilling project [operating from 1968 to 1983]. I participated in an expedition on it in 1976. There is now a new American ship, which I've also sailed on, called *JOIDES Resolution* [Joint Oceanographic Institutions for Deep Earth Sampling].

EIR: It seems that the Institute has successfully extended Vernadsky's work on the biogeochemistry of the Earth, to the oceans and to space.

Galimov: Vernadsky was the first to propose the necessity, that if you want to know the Earth, you should go to space, because you cannot come to any conclusions if you cannot compare. With only one investigation, it is difficult to make conclusive arguments. This is "comparative planetology." That is the term he coined.

EIR: As the world is developing economically, it will become important to look to the world's oceans for new sources of minerals and raw materials. Does your ocean research include the mapping of such resources?

Galimov: Of course, planetary geochemistry also involves investigations of oil and gas and other materials. But our Institute is for fundamental research, so we don't deal directly with any applications. Of course, we are also interested in the resources aspect, for manganese, for iron concretions. We study hydrothermal activity in the ocean, not with an accent to explore for possible resources, but more to make a model of those resources which are fossilized, to understand the geochemical situation in which these ores can be formed.

The same for oil and gas. We try to understand how petroleum originated. Which environment is most favorable for this? What organic matter is involved? We study organic sediments as a starting point for these processes, which eventually led to the formation of petroleum.

For example, our relationship to the petroleum industry is in organic geochemistry. We are not an applied institution, which is bad, because we have no money! We completely depend upon the government. If there is a difficult situation, it is difficult for us.

EIR: At this lunar conference, you presented a paper challenging the currently held theory that the Moon originated from a large impact hitting the Earth, which spewed material into orbit, condensing at some point to form the Moon. It is not often that scientists have the courage to challenge theories that have become "popular."

Galimov: You understand very well what happens in science. I think that this model that now exists as a paradigm—the giant impact model—suffers from many, many shortcomings, and I tried to show some. But what about our model? Our suggestion is that there was a cloud of particles at the beginning of the Solar System. At first, when the Sun formed, there were a lot of particles surrounding it. A gravitational instability formed the particles into small clouds, and the

clouds connected together, and grew. Finally, there was an appreciable amount of particles which collapsed.

At first, the collapse into bodies was not efficient, as the solar wind was blowing gas from the interior part of the Solar System. Why is Jupiter so big? Because hydrogen and volatiles were blown out to the periphery. The gas never collapsed, forming the outer planets, but the inner part of the forming Solar System was mostly particles, not gas, and the particles did collapse.

As the particles collapsed, energy was released, and the particles become heated, and evaporated. The evaporation is a very important part of our model. The material that became the Earth and Moon separated into two fragments.

EIR: So you are proposing that they both formed at the same time?

Galimov: Yes, from the same material. Because when something becomes smaller, but with a rotation, the rate of rotation increases, and pieces can separate. Previous scientists had calculated that that is impossible, so this possibility for formation was forgotten. One of our ideas that is really new, is that—I repeat—when the moment of inertia is preserved, and the rate of rotation becomes faster, there can be a separation, due to centrifugal force.

Scientists had calculated that this rotation moment is not enough to separate the Moon and the Earth. There had earlier been an hypothesis of separation, but it had been shown to be mathematically impossible. But we came back to this hypothesis, because we understand that these particles evaporate, and when the particles evaporate, they produce an additional force that works against gravitation, and this made possible the separation. We calculated our results, and I have a simulation, and you can see how the two fragments form.

We try to also see what the chemical composition of the Moon and Earth would be, and found a very satisfactory coincidence. We looked at what happened to the siderophile elements, which are like iron. In the giant impact model, these data are completely discordant. In our model, it is OK.

Isotope analysis is very important, and it indicates that the Moon and Earth come from the exactly the same, common source. In the giant impact theory, most of the material that makes up the Moon would have to come from some unknown impactor, which would not have come from our zone of the Solar System, but somewhere else, because it would have to hit at an angle. So it's very strange that the composition of the impact would be the same as the Earth.

Many aspects become completely understandable this way.

EIR: How many scientists are working at the Institute, on this broad array of scientific investigations?

Galimov: We have more than 600 scientists today. It was even bigger—we had 1,200, but there was a very hard period, when we lost some people. It is still a very robust Institute.

Business Briefs

Electricity

Nuclear Power Option Keeps Moving Forward

Nigeria President Olusegun Obasanjo has pledged that Nigeria will build a nuclear power plant within 12 years. Speaking at the inauguration of the board of the Energy Commission of Nigeria on July 31, he said: "Today . . . marks day one in the timeline of our national nuclear electricity program," which said that Nigeria would use its nuclear capability to enhance electricity generation and improve agriculture. Nigeria is in collaboration with the International Atomic Energy Agency (IAEA) on the project.

In the United States, UniStar announced on Aug. 3 that it has entered into agreements to procure from abroad the heavy forgings needed for the first new U.S. nuclear plant that will be built in nearly 30 years.

Hedge Funds

London, New York Bettors Taking It on the Chops

In July, for the third month in a row, the wizards of London, Wall Street, and Greenwich lost money, according to Merrill Lynch, which estimated the July losses of the sector as 0.8%, following May's 3.4% loss and June's 2% loss estimates. Lyndon LaRouche called it the continued "winnowing" of the hedge funds by the global financial crash in process.

One of the largest New York Energy Hedge Funds has shut down after suffering big losses on natural-gas derivatives in June and July. MotherRock LP was set up in early 2005 by former New York Mercantile Exchange president Robert Collins. MotherRock's energy fund recently lost \$230 million—more than half of the \$430 million managed by MotherRock—as speculators pulled money out amid high volatility in the natural-gas market. Natural-gas prices have surged as hedge funds rushed to cover bets that prices would fall, spurred by rumors that "a big market entity was being forced to buy as prices rose." The demise of the hedge fund

could threaten other members or customers of the New York Mercantile Exchange, through derivatives contracts.

German Economy

Capital Investments Are Plunging

Capital investments in Germany by government (infrastructure), corporations (factories, equipment), and private households (housing), have dropped precipitously from 450 billion euros to below 400 billion euros, since 2000, *EIR's* Germany bureau reports. Most of the remaining capital investments are now going to the various service sectors.

The manufacturing sector, which accounts for almost all of German exports, is now only investing about 60 billion euros per year into its physical capital stock. Housing construction is falling as well. However, the most dramatic collapse in capital investments is taking place in the public sector. Here, investments fell from 47 billion euros in 1992 to 29 billion euros in 2005. In the case of municipalities, which account for two thirds of public investments in Germany—for expenditures to maintain or upgrade roads, canals, waste management, schools, hospitals, and other physical infrastructure—dropped nearly by half, from 30 billion euros in 1992 to 16 billion euros last year, according to figures published by the Bundesbank (central bank).

According to the data in the Bundesbank report, net capital investments are now rapidly shrinking, while at the same time, savings are rising to all-time highs. Last year, private household savings amounted to 174 billion euros, and corporate savings to another 56 billion euros. Even after subtracting 82 billion euros for the public deficit (negative savings of the state), there was still 147 billion in total savings by the German economy. But net capital investments amounted to only 59 billion euros. The difference is made up by financial investments of private households and corporations, which are then channeled abroad. Thus, almost 100 billion euros in capital investments per year are now being taken out of the savings/investment cycle by financial speculation.

Privatization

Mineta Moves to New Job Promoting 'PPPs'

Former Transportation Secretary Norm Mineta is moving on to make his fortune by promoting public-private partnerships (PPPs), which is the buzzword for the elimination of government's traditional role in infrastructure building. Mineta, who as a California Congressman from 1975-95 was known for "forging public-private partnerships," and who as Bush's Transportation Secretary promoted more of the same for every aspect of the nation's transportation network—including the privatization of Amtrak—has gone on to greener pastures at the public relations firm Hill & Knowlton. This firm is key player, globally, in promoting PPPs for every aspect of infrastructure, from post-tsunami reconstruction in Asia, to work in rural villages of India and South Africa, to projects in Philadelphia.

When Mineta talks on behalf of his new clients at H&K, it is PPPs that will be on the agenda, as they have been with him for decades.

Auto Sector

U.S., Canadian Sales Collapse on All Fronts

The total industry-wide auto/SUV/light truck sales for July show an important economic-collapse trend. In the United States, total sales in July were 17.4% lower than in July 2005—by far the biggest drop in the six months of year-to-year drops so far this year, while July is supposed to be the leading auto sales month of the year. This is a bad economic indicator, with implications for the not-yet-released July jobs report. Americans and automakers alike are being crushed by hyperinflated energy—and other—prices, just as the major airlines were.

The report released on Aug. 2, on Canadian auto sales, indicated they fell 8.5% from July 2005, and are now 1% below 2005 for January-July as a whole.

The Democrats' New Suit

by Niko Paulson, LaRouche Youth Movement

Like the little boy in Hans Christian Andersen's famous story, the LaRouche Youth Movement (LYM) members appear to be the only ones left on Capitol Hill who are unafraid to tell the truth. As Lyndon LaRouche has stressed on many occasions, the Congress's recent foolish behavior, first in allowing the U.S. auto sector to be gutted, and now with their nearly unanimous support for Israel in what could become World War III, threatens to bring on the collapse of civilization. The members of Congress, especially those within the Democratic Party, have been swindled by fascist financier Felix Rohatyn. They are now carrying on their sophist's charade, in the vain hope that no one will point out their naked immorality.

Over the past several months, following the initiatives by LaRouche, the LYM has led a nationwide fight to rebuild the country. Through mass organizing, and lobbying the Congress, the LYM has worked to turn LaRouche's proposal, "The Economic Recovery Act of 2006," into legislation. The proposal calls for the immediate re-tooling of the bankrupt auto industry's machine shops, to convert to production for infrastructure development and begin to reverse the disastrous effects of globalization.

During the week leading up to LaRouche's July 20 webcast (see *EIR*, July 28), the LYM, along with dozens of union leaders and state elected officials from across the nation, lobbied Congress, holding over 30 meetings with Congressional offices. In spite of our insistence upon the immediacy of the economic crisis, as expressed by the first-hand accounts of many of the local officials, and in spite of a very viable solution to that crisis identified by the "Economic Recovery Act of 2006," as yet no such bill has been introduced. This failure, especially on the part of the Democrats, can be largely attributed to the malignant influence of Felix Rohatyn, as this has been documented in *EIR*. The LYM's organizing has become increasingly focussed on removing this corrupting influence.

The following cases will give a glimpse into an aspect of a political process which we are shaping.

What About the Economy?

At a recent D.C. press briefing by the Congressional Democratic Caucus, the recess election-campaign tactics were unveiled. A study was presented with very detailed opinion-poll data on the political likes and dislikes of the American people. The results of those polls were then substituted for actual thinking in the formation of the Party's national television ad campaign, and its six-point platform "Six in '06." The LYM asked the seemingly obvious question, which no one else even mentioned, "What will the Democrats do about the profound economic crisis, the collapse of the auto sector, and the man responsible for this: Felix Rohatyn?" The previously lethargic room full of journalists suddenly went berserk, and two Senators could be heard whispering to one another the name "Lyndon LaRouche." Amidst the fray, House Democratic Leader Nancy Pelosi was so destabilized by the question, that she was unable to remember the name of the House Democratic Campaign Committee chairman sitting next to her. So went the kick-off of the mid-term Congressional election campaign.

In the recess period, gearing up for the Congressional elections, the Democrats will hold over 350 town hall meetings. These meetings shall be occurring in an environment shaped by the distribution of millions of pieces of literature from the LaRouche Political Action Committee (LPAC), exposing Rohatyn's fascism, and offering LaRouche's FDR-style solution. The LYM shall be at these meetings, as will union officials, state representatives, and the thousands of Americans who have been mobilized by the ideas of LaRouche.

Interventions in California

Our sphere of influence intersected the first of these meetings in Oakland, California, where a Democratic Congressman held a town hall meeting which we attended, along with nearly 180 people. He presented his constituents with the "cut



EIRNS/Brian McAndrews

The LaRouche Youth Movement organizes in front of the Eisenhower Executive Office Building in Washington, during a week of action prior to Lyndon LaRouche's July 20 webcast. It seems that some Democratic Congressmen are a little nervous at the LYM's sharp attacks on fascist Felix Rohatyn.

and paste" opinion poll platform from the consultants in D.C., "Six in '06." From the beginning, the audience, in frustration, heckled the Congressman and his Party with aggressive populist questions such as: "Why are Democrats so dumb?" "What are you doing about the war?" "Will you protect our Social Security, really?" When the LYM asked their first question, on protecting the auto industry and reorganizing the bankrupt Federal Reserve system, the audience applauded loudly and demanded to hear the question read again. The Congressman's answer however, defending globalization as "here to stay," did not reflect the views or enthusiasm of his constituents.

When asked a question on Rohatyn, the Congressman pretended that he could not understand the question, badly mispronouncing the name Rohatyn. Throughout the evening, the audience was briefed on Rohatyn's fascist background, his attacks on U.S. industry, and his funding of the anti-FDR Democratic Leadership Council (DLC). The attendees at the meeting left with LPAC pamphlets and apparently with deeper agreement for LaRouche's ideas than the Democratic National Committee's.

The LYM also organized at the first town meeting of another California Democratic Congressman, one who has worked with our organization. He began his meeting in the same tragic way as the rest, citing a "very important recent poll showing that a two to one ratio of Americans feels that the country is moving in a bad direction." He went on to express the same bio-fuel-powered sophistry of the "Six in '06" platform. The LYM asked the Congressman, "What are you going to do for us to stop Felix Rohatyn and the DLC's

drive to destroy U.S. industry?" Shockingly, the Congressman, who knows better, answered by defending what Rohatyn had done with the "Big MAC" austerity program in New York City, calling Felix a "remarkable man." The LYM followed up by briefing the audience on the distinction between Roosevelt's principle of the general welfare versus Rohatyn's bankers' welfare. In further discussion, when we brought up Rohatyn's role in bankrupting the Delphi corporation, a principal feeder-industry to the auto sector, the Congressman snapped, "Rohatyn, Rohatyn, Rohatyn! Don't talk to me about Rohatyn! You can't say he is the root of all problems."

The Congressman, who clearly had made a decision to toe the "party line" in his public presentation, continued to defend the very Rohatyn whose policy it is to destroy U.S. industry. In an informal discussion, he insisted that the most important issue was winning the election in November, and defended the impotence of the Democratic Party by using the limp excuse that the Democrats "don't have a majority." The fact that the Democrats successfully stopped Bush's drive to privatize Social Security *without* a majority had clearly slipped his memory. The attendees at the event witnessed as their ostensibly "progressive" Congressman lost his cool, trying to defend a man who is in the process of collapsing the economy and democratic institutions of the United States.

These are merely a sample of the first cases of what will be our continuing intervention from coast to coast, until we blow apart fascist Felix's influence within the Democratic Party. Perhaps soon, we will replace the dying refrain of Democrats—"But we don't have a majority"—with a higher concept, that one person armed with the truth *is* a majority.

Estate Tax Reduction Blocked in Senate

On the evening of Aug. 3, Senate Democrats blocked consideration of the so-called "Trifecta" bill, that combines a permanent reduction in the estate tax, extension of a series of expiring tax benefits, and an increase in the minimum wage from \$5.15 to 7.25 per hour. House Republicans had combined the three elements into a single package, and rammed the bill through in the dead of night, hoping that Senate Democrats would have to swallow the estate tax provision in order to get the wage increase through. All but four Democrats voted against cloture, with two Republicans joining them to block consideration of the bill on a 56 to 42 vote. Majority Leader Bill Frist (R-Tenn.) then changed his "yes" vote to a "no," so that he would still have the option of bringing the bill up again at a later point.

Frist told the Senate, on the morning preceding the vote, that the three components would be considered as one package, and charged that the Democrats didn't consider them as "matters of importance" to the American people. Frist also threatened that the bill was the last chance in the 109th Congress to give minimum-wage workers a boost.

Minority Leader Harry Reid (D-Nev.) dismissed the entire Republican ploy as a "shell game," pointing out that the GOP's cynically named "American Family Prosperity Act," would bring prosperity to only the richest 8,100 families in America. He criticized the Senate leadership for spending so much time on the estate tax, when the Senate should be addressing other urgent issues, such as the degradation of the U.S. military as a result of the Bush Administration wars. The "Trifecta" bill should instead be called the "Defecta." "We

know the Republicans hate the minimum wage," Reid declared, and noted that even billionaire Warren Buffett is against the repeal of the estate tax.

Bolton Nomination Comes Up Again for UN Post

John Bolton appeared before the Senate Foreign Relations Committee July 27, in a renewed attempt by the White House to have him permanently confirmed as U.S. Ambassador to the UN. Bolton, a darling of the neo-con war faction, was given the post as a recess appointment, which will expire in January, since it was clear at the time that there was significant opposition to his appointment. Although most of the Democrats on the committee expressed continuing opposition to his confirmation, it was not clear from the hearing whether they would filibuster to stop it.

Sen. Joseph Biden (D-Del.), the ranking member on the committee, grilled Bolton on his effectiveness as a diplomat: "My concern is that at the moment of the greatest need for diplomacy in our recent history, we are not particularly effective at it," Biden said. Biden also has said Bolton should not get a confirmation vote until the White House turns over documents he requested when Bolton was nominated last year.

The only Republican who expressed skepticism about the nomination was Lincoln Chafee (R-R.I.), who demanded that Bolton define the root causes of terrorism in the Middle East, which Bolton failed to do to his satisfaction. Chafee also asked Bolton whether or not U.S. policy in the Middle East includes a "viable, contiguous Palestinian state." After Bolton offered the usual Administration platitudes about support for establishing a

Palestinian state, Chafee retorted, "I might disagree on the effort behind the rhetoric," and was clearly frustrated with the non-answers he got from Bolton on what the Administration has in mind for the Middle East.

The outlook for Bolton seemed to improve significantly, when Sen. George Voinovich (R-Ohio), who had opposed Bolton last year, announced, in an op-ed in the July 20 *Washington Post*, that he now supports him. However, Voinovich's about-face may be offset by Sen. Chuck Hagel (R-Neb.), who said on July 28, in response to a question, that "I have not decided, if Mr. Bolton comes up for a vote, how I will vote." Committee chairman Richard Lugar (R-Ind.) has put off a vote until September.

Democrats Finally Get Together on Iraq Policy

The Democratic leadership of the House and the Senate signed a letter to President Bush, on July 31, calling for an end to the Administration's policy of "staying the course" in Iraq. They note that there has been no diplomatic effort to resolve sectarian differences, no regional effort to establish a broader security framework, and no attempt to revive a struggling reconstruction effort. Instead, the Bush Administration is planning to redeploy 5,000 U.S. troops into Baghdad. "Far from implementing a comprehensive 'Strategy for Victory' as you promised months ago," they write, "your Administration's strategy appears to be one of trying to avoid defeat."

Instead, the Democrats call for a new policy, based on the amendment to last year's defense authorization bill, declaring 2006 to be a year of "significant transition to full sovereignty, with Iraqi security forces taking the

lead for the security of a free and sovereign Iraq, thereby creating the conditions for the phased redeployment of United States forces from Iraq.” They say that such a redeployment should begin this year. They also call for taking steps toward a political settlement, including “amending the [Iraqi] constitution to achieve a fair sharing of power and resources,” and an international conference “to persuade other governments to be involved, and to secure the resources necessary to finance Iraq’s reconstruction.”

The letter was signed by Senate Democratic leader Harry Reid (Nev.), House Democratic Leader Nancy Pelosi (Calif.), Senate Democratic Whip Richard Durbin (Ill.), House Democratic Whip Steny Hoyer (Md.), and the ranking members of the Armed Services Committees, Foreign Relations Committees, Intelligence Committees, and Defense Appropriations Subcommittees.

Hagel Quotes FDR vs. Bush Policy in Mideast

On July 28, Sen. Chuck Hagel (R-Neb.) delivered a speech at the Brookings Institution, warning, among other things, that “the world’s trust and confidence in America’s purpose has seriously eroded. America is increasingly seen not as the well-spring of consensus that for decades helped create alliances and coalitions grounded in common objectives and common interests.” He further warned that it would be an “irresponsible and dangerous false choice” to defend Israel “at the expense of our Arab and Muslim relationships.” He warned that neither the United States nor Israel can allow itself to become isolated in the Middle East. “That would marginalize America’s global leadership, trust,

and influence, further isolate Israel, and prove to be disastrous for both countries in the region.” He also argued that Hezbollah and Hamas cannot be defeated by military action alone. “Extended military action will tear apart Lebanon, destroy its economy and infrastructure, create a humanitarian disaster, further weaken Lebanon’s fragile democratic government, strengthen popular Muslim and Arab support for Hezbollah and deepen hatred for Israel.”

He concluded by quoting from Franklin Roosevelt’s Jan. 6, 1945 State of the Union message, wherein Roosevelt counselled, “We must not let those differences divide us and blind us to our more important common and continuing interests in winning the war and building the peace,” and that “International cooperation on which enduring peace must be based is not a one-way street.” And, “international cooperation and progress are not helped by any nation assuming that it has a monopoly of wisdom and virtue.”

Hagel’s remarks came a little over a week after the Senate approved, by a voice vote, a completely one-sided resolution supporting Israel’s actions in Lebanon; a similar resolution in the House was voted up 410 to 8.

Specter Deal on NSA Spying Comes Under Attack

Senate Judiciary Committee chairman Arlen Specter (R-Pa.) convened a hearing July 26, on a bill he has introduced under which the Bush Administration would submit its NSA domestic spying program to the Foreign Intelligence Surveillance Court. The court would then make a determination as to whether or not the program is constitutional. Despite Specter’s

earlier outspoken opposition to the Administration’s domestic surveillance program, his new measure is justifiably being attacked by Democrats and by civil liberties and constitutional-rights organizations as a complete capitulation to the White House-backed bill.

At a Judiciary Committee markup on Aug. 3, Specter attempted to bring his bill to a vote, but was blocked by committee Democrats. Ranking member Patrick Leahy (D-Vt.) said that a vote on the bill would be “premature,” since Congress is no further along in its understanding of the Administration’s domestic spying than it was months ago. And we don’t know what other domestic spying activities might be being conducted “behind Congress’s back, outside the law and without court approval.”

Leahy pointed out that when the committee tried to get testimony on the spying program from telephone company executives, Vice President Cheney blocked it. Since when does Congress have to get the Administration’s permission to conduct oversight?, Leahy asked, adding: “Last I checked our Constitution, this body was not part of the so-called ‘Unitary Executive.’” Sen. Edward Kennedy (D-Mass.) called it “a sham proposal” whose purpose is “to codify the breathtakingly broad and erroneous view of executive power asserted by the Bush Administration and rejected by the Supreme Court.”

Two of the four non-governmental witnesses, Jim Dempsey of the Center for Democracy and Technology, and Mary DeRosa of CSIS, said that it would be better to have no bill at all, than Specter’s bill—which legalizes what the Administration has been doing illegally. “Your bill would endorse the radical concept of the imperial presidency,” Dempsey told Specter.

The Morgan Fascist Coup Plot and How FDR Defeated It

by L. Wolfe

Introduction

Some 12 years ago, this news service published a report on the 1930s fascist coup plot against the Franklin D. Roosevelt government, led by a Morgan-centered cabal of powerful financial interests; the coup would have replaced FDR with a puppet government whose policies would be controlled by a cabal of wealthy financial plutocrats. As the report made clear, the intention of the conspirators was to use the anarchy and chaos produced by the coup, to eliminate for all time the threat to their power represented by the U.S. Presidency and U.S. Constitution.

Today, we are faced with the same intention by the heirs of that cabal of fascist bankers, who now control most of the Executive branch of the U.S. government and who have, through their agents such as Felix Rohatyn, attempted to emasculate the Democratic opposition. They now seek to impose a fascist government that Democratic leader Lyndon LaRouche has warned would be “Schacht without Hitler”—a brutal austerity government without the overt “messy” characteristics of the Hitler regime.¹

In the intervening dozen years, our research has more accurately located the Morgan coup plot as part of the broader push for a fascist world order, as promoted by the Nazi-supporting, Synarchist networks of this cabal. The destruction of

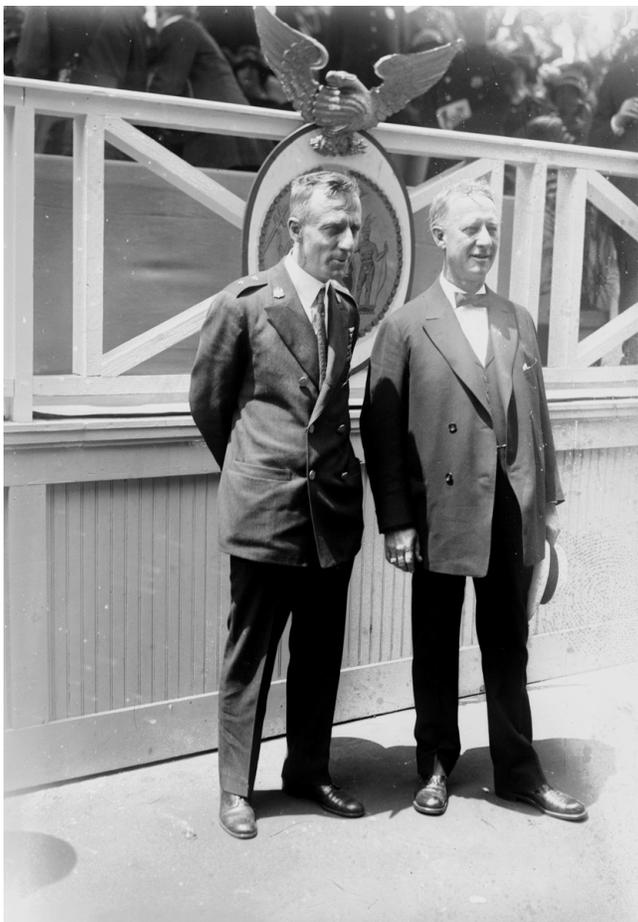
the U.S. constitutional system was a critical feature of this push for fascism.

Their efforts came close to succeeding and might have, had it not been for the courage of America’s then-most decorated officer, Marine Corps Maj. Gen. Smedley Darlington Butler, and the extraordinary political leadership of FDR himself. While Butler exposed the plot, FDR and his allies waged war against the power of the private investment banks that sponsored fascism at home and abroad, seeking to curb their power, and placing the sovereign power of the U.S. government and Constitution over them. In asserting that all economic policy must serve the constitutionally mandated principle of the General Welfare, FDR put the nation on a pathway out of the chaos and pessimism that served as the breeding grounds for fascist coup plotters, while laying the economic and moral foundation for the direct military battle with the bankers’ fascist *golem* in Europe in World War II.

The story of this plot was front-page news in even such establishment papers as the *New York Times*, as it occurred. However, since the death of Roosevelt in 1945, the Synarchists were successful in all but wiping it from the pages of history and common memory. Following the publication of our report, and especially in the recent three years, as the world plunges towards economic collapse and financial chaos worse than the Great Depression, and with it, a new bankers’ drive for fascist dictatorship, there has been a renewed interest in at least some aspects of the plot. PBS, for example, produced a documentary on it, and there are at least two new books in the offing.²

1. There has been a long line of pro-fascists who have argued that the Nazis gave fascism a bad name. This is similar to the argument used by the late pro-fascist economist Abba Lerner in his 1971 debate with Lyndon LaRouche, where he maintained that if people had only listened to and followed Nazi Economics Minister Hjalmar Schacht’s austerity policies *Hitler would not have been necessary*. It is also the genesis for 1970s promotion by the Rockefeller Trilateral Commission circles of the idea of marketing “fascism with a human face.”

2. In the last two years, two putative authors have contacted this author for information about the coup plot, with one maintaining that there is interest in a possible Hollywood movie on the subject.



Library of Congress

Marine Corps Maj. Gen. Smedley Butler (left), with then-New York Gov. Al Smith. Butler saw through the efforts of the Morgan-steered coup plotters to overthrow FDR and install a fascist government, using him as a pawn; his testimony to Congress stopped them in their tracks.

We present here an edited and updated version of our 1994 report as an urgent matter of interest to those who must once again rise to fight the renewed fascist threat, so that they might know their true enemies and what they are capable of; and to know that even such powerful forces can be defeated with the kind of policies and leadership that today are provided by Lyndon LaRouche and our movement.

The Setting

As FDR prepared to take office in the late Winter of 1932-33, the U.S. government, much as today, was a captive of a cabal of private financial interests: the London-New York banking axis, whose strategists were the prime sponsors of fascism in Europe.

President Herbert Hoover's economic team was controlled by his Ambassador to Britain, former Treasury Secretary Andrew Mellon, and Federal Reserve Chairman Eugene Meyer, whose father had helped found the American branch of the Lazard Frères banking house and whose own career



Library of Congress

John Pierpont Morgan, Jr. was the head of the powerful Anglo-Dutch Morgan interests who were at the heart of the coup plot.

was created by Lazard. Behind them was a larger cabal of private investment banking interests, who had a stranglehold on U.S. government credit policy, including the investment banks of Kuhn, Loeb; the Morgan interests; the Rockefellers; Dillon Read; Brown Brothers Harriman; and Lazard Frères.³

Since the 1876 Specie Resumption Act, U.S. economic and credit policy had increasingly been dictated from London. Since 1913, the main vehicle for the implementation of that policy had been the Federal Reserve, a *private* central bank, established by British policy interests, and run by those interests and their U.S. allies in the Wall Street investment banks.

The Morgan bank, at times official U.S. banker for the British government, was founded and always based in London, known there as Morgan, Grenfell, with its arms in New

3. Wealthy "tories"—loyalists to the British side in the American Revolution—founded the banks in Boston and New York which crystallized in the 19th and early 20th Centuries as the British strategic outpost called Wall Street.

York being J.P. Morgan, Morgan Guaranty, and some other institutions.

Kuhn, Loeb arose as Jacob Schiff's enterprise, guided by his London partner, Sir Ernst Cassel, personal banker for King Edward VII, the British Round Table, and the Fabian Society. Kuhn, Loeb was then taken over by the London/German Warburg family, the biggest stockholders in the Nazi cartel IG Farben.

The Rockefeller family, beginning with a British partner in their early oil monopoly, extended into a cartel with Britain's Shell Oil, into Chase Manhattan Bank and Citibank, and into family foundations, all put into the service of British imperial policy.

Brown Brothers Harriman combined Brown Brothers (the family firm of Montagu Norman, known in England as Brown Shipley) in a 1931 merger with the Harrimans, who were made powerful by Sir Ernst Cassel's arrangement of British crown financial backing for Averell Harriman to acquire Union Pacific Railroad.

In this "secret government," which defined the parameters and often the details of critical policies, the House of Morgan held the most important portfolio, as the most important agent of Anglo-Venetian interests in the United States. The Morgan partners held directorships in 167 industrial concerns, banks, railroads, and utilities, and they controlled, through their banking relationships, the most important media in the United States, including the *New York Times*. And most importantly, the Morgans, along with the other merchant banks, controlled the market in the public debt of the United States, in concert with the Federal Reserve, through the latter's "open market" operations.

Agents of this cabal, acting under the orders of Bank of England Governor Montagu Norman, helped sponsor Hitler's Nazis as their proposed handmaidens to implement the policies demanded by their direct agent, Montagu Norman asset, Hjalmar Schacht. Schacht was to head the Hitler regime's financial and economic policy. Through Schacht and other assets, the Synarchists—Wall Street and London investment banks and their French and German political partners—had created huge global cartels, aimed at controlling all basic industry and raw materials, making governments and their populations subject to their power over economic life.

Throughout the 1920s, the New York and London investment banks participated with the German backers of the Nazi Party, such as Fritz Thyssen, in creating global cartels in steel, raw materials, and chemicals. The Nazis were the operatives chosen to implement the bankers' policies in Depression-ravaged Germany. With plans to seize power in the United States, Britain, and France, along with the Nazis in Germany and Mussolini's Fascists in Italy, the aim of these private banking circles was world power.

In 1932, as the U.S. Presidential campaign moved towards its conclusion, Hitler's Nazis were on the edge of financial ruin. A rescue effort was organized, with the supervision of

the Bank of England's Montagu Norman, to funnel cash into the Nazi coffers. The principal Wall Street bank chosen to handle this operation was Brown Brothers Harriman, whose principles included erstwhile playboy Averell Harriman, who was later to gain an important hold on the "liberal" wing of the Democratic Party, and Prescott Bush, grandfather of the current occupant of the White House; Prescott Bush actually served as bagman, taking the funds to Germany.⁴

A Hail of Bullets

From the onset of the Great Depression in 1929, Hoover's fascist economic policies "succeeded" in collapsing domestic U.S. economic activity. While this created the conditions of mass unemployment and economic dislocation which were breeding grounds for pessimism and a fascist movement, it also made hapless Hoover a very weak standard bearer for the synarchist bankers in the 1932 election. By the late Fall of that year, while they were rescuing Hitler, it was obvious that, despite the best efforts to sabotage FDR's campaign from the inside by the Democratic Party leadership controlled by Morgan lawyer John W. Davis and the Synarchist John Raskob, an agent of the Morgan-controlled du Pont interests, Roosevelt was on his way to a landslide victory.⁵

However, there was still the period of three months between the election in November 1932 and FDR's March 4, 1933 inauguration, for the bankers' to try to deal with their "problem."

On Feb. 15, 1933, when FDR returned to Miami from a yachting trip with friends, he addressed a crowd of 10,000 at an outdoor waterfront rally. Suddenly, several shots were fired from close range from the crowd at the Presidential party. Five people were hit, although Roosevelt, miraculously, was not.

The man charged with firing the shots, Giuseppe Zingara, a member of a Masonic lodge from New Jersey, was at first branded an "anarchist"; an FBI investigation concluded that he had acted alone. When Chicago Mayor Anton Cermak, who was wounded in the gunfire, died three weeks after the attack, it fed press speculation that he, not Roosevelt, had been the target. The press soon began reporting that various mob sources, including Frank Nitti, boss of the Chicago mob, claimed that Cermak was on a hit list. Today, most U.S. his-

4. It was a matter of public scandal that the Harriman family in the 1920s and 1930s openly funded and supported conferences featuring leading Nazi eugenicists, and more generally promoted eugenics, including forced sterilization "experiments" in this country. See the research of Robert Zubrin on the Harriman eugenics connection in Anton Chaitkin, *Treason in America* (New York: Franklin House, New York 1984).

5. L. Wolfe, "The Battle for the Soul of the Democratic Party: How the Roosevelt Revolution Reshaped the Democratic Party," *American Almanac*, *New Federalist*, July 26, 2004, Vol. 27 for information on Raskob and Davis efforts to lose the 1932 election for FDR, including their failure to mobilize various party machines. Roosevelt overcame this through building his own "grassroots" movement that essentially took over the party.



FDR Library

President Roosevelt, born a patrician, upheld the lot of the “forgotten man.” One coup plotter maintained that FDR was “weak”: “He will come right along with us. He was born in this class. He was raised in this class and he will come back.” Nothing could have been further from the truth.

tory textbooks do not even mention the assassination attempt, nor do most Americans know that it happened.

However, news accounts published in 1933, speak of the assassin’s arm being deflected by a woman in the crowd. Her report was that the gun was aimed directly at Roosevelt, who was speaking from an open car. Had she not acted, Roosevelt would have been hit and likely killed.

It was reported at first, that Zingara was a “brick mason”; still later, it was revealed that he was a Freemason. The Scottish Rite of Freemasonry felt compelled to issue a pledge of loyalty to the new President and a condemnation of the assassination. Meanwhile, after Cermak’s unexpected death in March, Zingara was swiftly sent to the electric chair and the story faded from the press.

It is still not clear how this assassination attempt was set up. One thing is clear, however: the Synarchist fascists who opposed FDR would have been its potential principal beneficiaries. Had FDR been assassinated prior to inauguration, a constitutional crisis would have been created, providing cover for the bankers and their allies to move to their fascist option—a government imposed from outside the Constitution. Had the assassination been successful, the history of the last century would have been dramatically different.

FDR’s War with the ‘Money Changers’

The Roosevelt who came into office that March was a much wiser man than the one who had run for Vice President in 1920 and been beaten badly. As FDR struggled to overcome polio in 1921-28, he also matured as a political figure, anchoring his identity in a strong commitment to the General Welfare; he saw the Federal government, under the sway of Wall Street-London dictated policies of first the Coolidge, and then the Hoover Administrations, bringing suffering to the vast majority of Americans, who now had no voice speaking for

them or acting in their interests in Washington.

As Governor of New York (1928-32), FDR could see firsthand the power of the financial elites, as they tried to appeal to him, as one of their own, coming from the “patrician class,” to implement policies beneficial to their interests, including massive tax breaks for the banks. FDR came to understand that almost all current economic theory was mere cover for the power of these financial interests, and was therefore useless in the face of the Depression that the Coolidge-Hoover policies had brought on. Instead, FDR turned to the traditional, anti-monetarist policies of the American System of Alexander Hamilton, an ally of his great-grandfather Isaac⁶, as the basis for “experimentation” in finding a pathway out of the Depression.⁷ This was the tradition of economic policy, which, through the actions of Lincoln and others, built American industry into a world power.

The bankers saw in Roosevelt their greatest nightmare: a powerful political figure not under their control, with a vast base of popular support, who was non-ideological, and committed to the view that the sovereign constitutional government of the United States had both the power and moral obligation to take measures to correct imbalances in the economy, and, who was not afraid to act on this. With the knowledge that nothing could be accomplished unless the power of the financial elite were tamed, FDR set about immediately to free the Federal government from its clutches, and then to use the power of that government to level the playing field, with a permanent reduction in the financial elites’ power, by placing them under Federal regulation.

He set the tone for that battle in his stirring March 4 Inaugural address, declaring that he was holding the financial power that had created the Depression accountable for what they had done; the Depression was no natural occurrence, but the was a product of the failure of those who ruled economic policy.

Those responsible for “the exchange of mankind’s goods have failed through their own stubbornness and their own incompetence, have admitted their own failure, and have abdicated,” FDR said. “Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men. . . .

“The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit.

“Happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort.

6. Roosevelt had more than a keen interest on Hamilton and his policies, dating back to his senior thesis on the subject at Harvard.

7. As Governor of New York, FDR and his trusted aide Harry Hopkins helped craft a relief and public/conservation works program that was the model for larger programs during the New Deal.

The joy and moral stimulation of work no longer must be forgotten in the mad chase for evanescent profits. These dark days will be worth all they cost us if they teach us that our true destiny is not to be ministered unto but to minister to ourselves and to our fellow man.

“Recognition of the falsity of material wealth as the standard of success goes hand in hand with the abandonment of the false belief that public office and high political position are to be valued only by the standards of pride of place and personal profit; and there must be an end to a conduct in banking and in business which too often has given to a sacred trust the likeness of callous and selfish wrongdoing. . . .”⁸

As FDR was speaking, the coup plot was already in motion. It was not FDR’s words that sped the process along, as we shall see, but his propensity to back such statements with strong and direct actions, as with his large-scale infrastructure building and employment and emergency relief programs. These actions represent a true revolution in policy, the reversal of years of treason against the American System. They included the following:

- The freeing of U.S. credit from manipulation by foreign central and private banking interests, by removing the U.S. dollar from a gold standard—i.e., the ability to demand payment for dollars in gold; in addition, FDR acted to ban gold sales to individuals and to allow for transfer of gold funds from banks. He did this in a series of steps in 1933, as the U.S. currency came under attack from foreign and domestic banking sources. If this had not been done, the dollar would have collapsed, and, more importantly, the government would have been restricted in the issuance of dollar-denominated debt to the amount of gold on hand for which such fungible debt could have been exchanged. The freeing of the dollar from the gold standard enabled FDR to finance his jobs and infrastructure programs;

- The regulation of the banking system, through such measures as the Glass Steagall Act, which separated commercial banking from private or investment banking, and required transparency in banking activity. By doing this, he asserted the power of the Federal government over all financial transactions;

- The regulation by the new Securities and Exchange Commission (SEC) of all trading in stocks and bonds, preventing insider trading operations which were the highly profitable and corrupt ways that the financial elite were shown to enlarge their fortunes;

- The regulation of speculation in commodities through the Commodities Trading Commission (CTC);

- Increased bank supervision by the Treasury Department and others, of all bank operations; the protection of the smaller bank depositors against the loss of their deposits, while limiting the protection of the financial elite, whose poli-

8. Quotes from FDR speeches are taken from John Gabriel Hunt, ed., *The Essential Franklin Delano Roosevelt* (New York: Gramercy Books, 1995).

cies brought on banking collapses.

Each of these actions struck blows against the power of the financial oligarchy; together, they amounted to a virtual declaration of war against the financial powers who for too long had held sway over the economic and financial policy of the United States.⁹

Two critical aspects of this offensive against the money changers deserve highlighting.

The Fed, created by the financial elite as a mechanism to control the credit of the U.S. government, while making huge financial profits for these same interests in the conduct of the sale of government debt, stood as a major obstacle to any effective New Deal recovery program. As run first by Eugene Meyer and then by another Wall Street flunky, Eugene Black, the Fed had demanded that Roosevelt act in a “financially prudent” way—keeping budget deficits low and limiting the issuance of debt; citing prohibitions they had put in place on long-term debt issuance, they insisted on use of expensive short-term debt financing to try to curb FDR’s spending on recovery programs. In response, FDR had considered measures that would have effectively nationalized the Fed, placing it under Treasury control, and running it as a Hamiltonian national bank. However, he rejected such a plan, indicating to his aides in 1933 that he would prefer not to fight that fight at the moment, fearing a lack of guts by the Congress in backing such action, and a possible ability of the bankers to divide the New Deal camp.¹⁰ Instead, he wanted to wait for the opportunity to “seize” the Fed, in his own way.

As the New Deal gained momentum and FDR gained political strength, some time in the Spring of 1934, Roosevelt’s new Treasury Secretary and close ally, Henry Morgenthau, was summoned to the New York home of George L. Harrison, the president of the New York Federal Reserve Bank. There, as he was seated in a chair, Harrison and Owen D. Young stood over him, pointing threatening fingers; Morgenthau was delivered an ultimatum. As he later recounted, he was told: “You will do what we want you to do or we will not support your government bond markets.”¹¹

The Treasury Secretary went back to Roosevelt, who then decided it was time to take action against the Fed. But instead of seizing it, which would have been well within his right as Chief Executive, he asked Morgenthau to recommend a Wall Street outsider whom he could appoint to the Board and make its chairman.¹² The man chosen, Marriner Eccles of Utah, was

9. See the earlier version of this article, most recently published in Tony Papert, ed., *The Synarchist Resurgence Behind the Madrid Train Bombing of March 11, 2004*, LaRouche in 2004; also Richard Freeman, “Then and Now: Why Roosevelt’s Explosive 1933-1945 Recovery Program Worked,” *EIR*, April 26, 2002.

10. *Ibid.*

11. See Marriner S. Eccles, *Beckoning Frontiers* (New York: Alfred Knopf, 1951).

12. *Ibid.*

a self-made regional banker, a former industrialist, who like FDR, was committed to the principle that economic and financial policy must serve the General Welfare, and not the profits of the private bankers and corporate shareholders. It was this alliance between a President capable of mobilizing the population for General Welfare policies, and his outspoken chief banker, committed to the same general goals, that allowed the Fed to function, even against the will of some its Board members and Reserve Bank presidents. This permitted the financing of FDR's recovery program and later his war mobilization. It was Eccles who, working on FDR's behalf, actually drafted and redrafted the critical landmark bank regulation acts, including what became the Glass Steagall banking regulation bill.¹³

'Pitiless Publicity'

FDR had earlier opened another flank in his assault on the power of the financial oligarchy: the use of what he liked to refer to as "pitiless publicity," telling the truth about the secretive, destructive ways and corruption of the monetarist financial powers and their hired hands.

In particular, FDR went after the vast power combinations that had effectively cartelized American finance and industry, giving the international Synarchy vast control, through interlocking directorates and private, unregulated financial operations, over every aspect of American (and international) economic life; this was a necessary prerequisite for taking away such power through the action of sovereign government, asserting its authority to regulate finance in the interest of the General Welfare.

13. Eccles, a Mormon, was involved with mining and lumber production, before he got into banking. In his autobiography, Eccles writes that the Depression taught him two things: that everything he had ever thought about economics was wrong, that there was an absolute necessity for man, acting through his constitutional government, to intervene to reverse actions of malfeasance and negligence, to revive the economy. The arguments against government intervention to put people to work at socially and economically necessary tasks and to provide relief from suffering were "nothing more than the determination of this or that interest, specially favored by the status quo, to resist any new rules that might be to their disadvantage. . . . I saw [that] men with great economic power had an undue influence in making the rules of the economic game, in shaping the action of government that enforced those rules, and in conditioning the attitude of people towards those rules. . . ."

Eccles says that the wealth of the nation is really defined in physical and not monetary terms, and in placing a premium on the value of physical and creative labor that produces wealth. While stating that he is not a Keynesian or any kind of believer in economic "theories," he expounds a philosophy of banking that demands the determination of the value of an asset, not in monetary terms, but in its long-term worth to the economy; it were better to lend for things of long-term real worth, that have the potential to add real wealth over time than to seek to maximize short-term monetary profit. Eccles became a fully committed advocate of using government funds and credit to create employment in productive work, for the long-term benefit of the nation. In that way, while not a Hamiltonian, he was determined to use the Fed, as its chairman, for this purpose of national banking. Not surprisingly, once FDR was gone, Truman wasted little time in removing Eccles from the Board chairmanship, at the behest of powerful New York banking interests.

Even before he took office, Roosevelt had seen to it that allies in the Senate, working through its Banking Committee, had launched a highly publicized investigation of the practices and power of the New York commercial banks. In February 1933, the committee's exposure of their questionable banking practices had forced the resignation of two FDR enemies—National City Bank's Charles Mitchell and the president of the bank's holding company, Hugh Baker, both leading Morgan allies. Mitchell's successor, James Perkins, immediately moved to separate the commercial deposit bank operations from its investment banking, to emphasize the banks' return to "commercial banking."¹⁴

The Rockefellers' Chase National Bank was next on the Senate probers' list. Its new head, Rockefeller brother-in-law Winthrop Aldrich, announced on the day following Perkins' action, that Chase too was going to divorce its securities affiliate.

The bankers lobbied for the hearings to be called off. But President-elect Roosevelt demanded that they continue. He asked his political troops to turn their fire directly onto Morgan and his allies at Kuhn, Loeb and Dillon Read.

In late 1932, Roosevelt approved the committee's hiring as its special counsel Ferdinand Pecora, a former district attorney from New York with a reputation for fearlessness. Pecora planned to place the most powerful people on Wall Street in "the dock," and try them in a way that would have been impossible in court, given their ability to "purchase" justice.

In the opening hearings on the commercial banks, Pecora established that some of the most powerful bank officers, such as Mitchell of National City, and Albert Wiggin of Chase, had lied to their shareholders, manipulated stocks for their own benefit, and had made profits beyond anything reasonable, without the least bit of concern for the national interest. Pecora refused to allow them to be evasive, and his questioning often made them look ridiculous. Public sentiment, aroused by Roosevelt's speech on "the money changers," was then further aroused with concrete evidence.

In early March, Pecora fired off a series of detailed and embarrassing questions about the operations of the House of Morgan and its relationship to other banks, corporations, and clients. Morgan counsel, former Democratic Party 1924 Presidential candidate, and former ambassador to Great Britain, John W. Davis, declared the questions to be outrageous. But Morgan was forced ultimately to answer them, and then to submit to hearings in May and June that shook the foundations of the "secret government."

Pecora and his staff spent most of February, March, and April 1933 in New York, working from early morning until 6 p.m. in the offices of J.P. Morgan and Company, poring over its records of financial dealings since the war. He told

14. The reports on the Senate Testimony come from a number of sources, including the transcripts of the McCormack-Dickstein hearings; also, Ferdinand Pecora, *Wall Street Under Oath* (New York, 1939).

no one, with the possible exception of the White House, what he was looking for and what tack he would take, fearing that that information would be leaked to Morgan.

The hearings opened on May 24, to packed chambers. J.P. Morgan, Jr., was the first witness. In his opening statement, printed in the next day's *New York Times*, Morgan heaped praise on himself and on the "honorable tradition" of private banking in the United States, which he said performed an essential function. Morgan had once stated that he would never invest in "unfinished industry," since he sought to maximize his clients' monetary profit. That edict, which was shared by most private bankers, meant that there would be no real economic development and there was limit placed on entrepreneurship—totally contrary to the American System principles to which FDR subscribed.

As was to become clear in the Senate testimony of the days following, what Morgan meant by "private banking" was the unregulated financial manipulations by an oligarchical club, in which the rich and powerful were allowed to reap enormous profits, and through which the House of Morgan was able not just to buy and sell securities, but to gain control of most of U.S. industry, to buy politicians and diplomats, and effectively to control the most powerful banks in the United States.

Pecora wrote five years later, in his book *Wall Street Under Oath*: "Undoubtedly, this small group of highly placed financiers, controlling the very springs of economic activity, holds more real power than any similar group in the United States."

The meek response of the Morgan partners to these charges was that, while it might appear that they had control of many companies and banks, they were merely performing a "service" and exercised no control other than the "power of argument and persuasion."

Thomas Lamont, the partner who effectively managed the firm, told the committee that the common belief in the great power of the House of Morgan was "a very strong popular delusion." All the firm did was offer advice, which its clients could take or leave. "We are credited with having what is known as power or influence; and we admit that we hope that our counsels are of some avail. . . ."

On the very first day, it was revealed that J.P. Morgan, arguably the most powerful banker in the nation, and all the 20 partners in his Morgan and Company and its Philadelphia operation, Drexel and Co., had paid no income taxes in 1931 and 1932, and had paid only small amounts in previous years! Morgan defended himself, claiming that he had merely taken advantage of tax laws: "If the laws are faulty, it is not my problem," he arrogantly told the committee. It was also shown that the Internal Revenue Service (IRS) had never examined Morgan's transactions—anything that was prepared by the bank was simply passed on by the examiners without even a cursory glance!

Pecora fought to have various items entered on the public

record: lists of companies in which Morgan partners held directorships, lists of banks on which they were directors, lists of banks which held their deposits, and the firm's balance sheets for the previous three years.

Most shocking were the lists of "preferred clients" and friends of the bank, who had been let in at a below-market price on a major 1929 speculative stock offering. The list revealed two tiers of Morgan "cronies." The first were true "friends of the firm" who were Morgan allies and operatives, and the second was a "fishing list," by which they sought prospective new operatives, with whom they would deepen their relations. *It showed that Morgan had effectively controlled those who made U.S. financial policy for more than three decades, as well as the leadership of both political parties, and much of the Federal bench!*

Pecora showed, and the partners confirmed, that Morgan handled one of the most confidential and critical aspects of British financial policy—the Bank of England's pound stabilization fund operations. This was handled, on this side of the Atlantic, by J.P. Morgan, Jr., personally, and his top henchman, Thomas Lamont. In London, the office of Morgan Grenfell, from which two partners were members of the House of Lords, coordinated continental European operations.

A similar fund was set up to market \$24 million in securities for Mussolini's Fascist Italy (and an additional £5 million in securities), administered by Morgan Grenfell, and a syndicate of private bankers including Hambros and N.M. Rothschild and Sons. Additional securities and currency accounts were set up with Morgan by the Fed, the Bank of England, and Schacht's Reichsbank.

It was brought up that such operations might in fact be against the interests of the United States and some of the "clients" Morgan represented in the U.S.A. Morgan categorically denied this. When Pecora pointed out that members of the Morgan firm in London were members of the House of Lords and officials of the British government, Morgan and his partners blustered that there was a "wall" between business and politics. When Pecora pursued the issue, the raving Tory fascist Morgan simply stated that there could be no conflict in policy between U.S. and British interests as such, and if there were such an "absurd" eventuality, the House of Morgan would behave as "reliable bankers"!

Throughout the country, even the Morgan-controlled press was forced to print the daily dispatches from the hearings. Given what was being said, given Morgan's attitude, it was impossible to edit them so as to place Morgan in a favorable light. The *New York Times* meekly editorialized that there was nothing sensational in what was being revealed, that it was all "old news." It even tried to praise Morgan for pointing up inadequacies in income tax law!

Wrote Pecora: "The power of J.P. Morgan was not 'a very strong popular delusion,' as Mr. Lamont would have it, but a stark fact. It was a great stream that was fed by many sources:

NOT DOING SO WELL WITH HIS "BUTLING"



An Arizona newspaper takes note of the angry response to Butler's attack on Mussolini, January 1931. Secretary of State Simpson cabled a personal apology on President Hoover's behalf to Mussolini, while Butler was threatened with court-martial.

by its deposits, by its loans, by its promotions, by its directorships, by its pre-eminent position as investment bankers, by its control of holding companies which, in turn, controlled scores of subsidiaries, and by its silken bonds of gratitude in which it skillfully enmeshed the chosen ranks of the 'preferred lists.' It reached into every corner of the nation and penetrated into public, as well as business affairs. The problems raised by such an institution go far beyond banking regulation in the narrow sense. It might be a formidable rival to the government itself."

Senate Banking Committee hearings investigating the New York commercial banks, convened by Roosevelt allies in the Senate, continued through the second week in June 1933.

After that, Pecora turned his guns on Kuhn, Loeb and its flamboyant head, Otto Kahn, who was instructed by the cabal to put on a more congenial face than the stiff Morgan partners. The Dillon Read partners were similarly congenial, as Pecora brought out more evidence of the private bankers' manipulation of the financial markets and their highly irregular practices. The hearings were suspended until late Fall, when they resumed to examine certain specific speculative swindles; the effect FDR desired had already been achieved, as the press reflected the "common man's" anger at the corruption and arrogance of international finance.

The Coup Plot Develops

Meanwhile, what was to be exposed as a coup plot against FDR, financed by Morgan and allied interests, was already well under way. The plot involved using an asset that had already been created for such a purpose—the networks of the American Legion.¹⁵

The Legion today is thought to be a rather docile association of veterans, with a "right-wing" slant. It was founded in 1919, with money from Morgan and other New York bankers and their allies, as a union-busting organization of thugs for hire. Its leadership, appropriately called the "Royal Family," was culled from bankers, stockbrokers, and the like.

Many disgruntled veterans resented their brothers being used as cannon fodder in World War I for policies that they neither supported, nor even understood. The disgust led to the formation of a rival organization, the Veterans of Foreign Wars (VFW), which, as the Depression deepened, lobbied for the immediate, accelerated cash payment of promised veterans' bonuses.

In the early Summer of 1933, as the plans for a fascist plot developed, its organizers hoped to draw both the Legion and

the VFW in to a form of people's militia, modelled on Mussolini's *Fascisti*, using the veterans' anger over Roosevelt's reduction and cancellation of bonus payments.

However, in 1934, the man whom these fascists wished to lead their army, Maj. Gen. Smedley Darlington Butler, the most honored and decorated soldier in the land, blew the whistle on the whole rotten affair. In spectacular revelations to the House Un-American Activities Committee in November and December, Butler reviewed his firsthand knowledge of the plot, identifying the House of Morgan and its operatives as playing a central role.

Smedley Butler appeared to be an unlikely candidate for the fascist coup plotters. Twice decorated with the Congressional Medal of Honor, he was a Quaker from a prominent Pennsylvania family, who thought of himself as a patriot who would never betray the values embodied in the Constitution. He had been both the most distinguished serving officer in the nation, and also its most outspoken.

Butler had once been placed in charge of the deployments of Marines on behalf of American business and banking interests in foreign lands. For a long time, he held his tongue,

15. Reports on the details of the coup plot and testimony come from a number of sources, including committee transcripts and its final report; Jules Archer, *The Plot To Seize the White House* (New York: Hawtorne Books, 1973); John L. Spivak, "Wall Street's Fascist Conspiracy, Parts 1 & 2," *New Masses*, Jan. 29 and Feb. 5, 1935. Butler's speeches are quoted in these articles and contemporary press accounts.

loyally carrying out orders, which he had personally questioned. But, following a stint in China in the late 1920s, during which he perceived that his orders were to protect Standard Oil's interests, even at the expense of American citizens, he began to speak out.

In December 1929, addressing veterans in Pittsburgh, he stated that, in his deployment in 1912 in Nicaragua, he had helped rig elections to back the candidate desired by the banking firm of Brown Brothers. He was immediately called on the carpet by Navy Secretary Francis Adams, whose name was later to appear on the Morgan "preferred list." But the local press, and then some national press, covered Butler's remarks, and they were later favorably reported by various members of Congress. Two days after his attack, the Hoover Administration was forced to beat a hasty retreat from its public support of "gunboat diplomacy," and repudiated the Teddy Roosevelt corollary to the Monroe Doctrine, stating that it would not intervene "by right" into the internal affairs of an Ibero-American nation.

Butler, however, was passed over for commandant of the Marine Corps, an appointment which, considering his rank and his service credentials, should have been his.

In January 1931, while in uniform, at what was supposed to be an off-the-record private meeting, Butler delivered a stinging attack on Mussolini, recounting a story told to him about how Mussolini had been riding in his limousine and had run over a little child. Butler's friend, who was in the car with Mussolini, screamed in horror. "Mussolini said that you shouldn't do that, that it was only one life and the affairs of state could not be stopped for one life," Butler told his shocked audience. "How can you talk disarmament with a man like that?"

An Italian diplomat, present at the meeting, sent a wire to Rome, and the Italian government filed a protest with the State Department. The pro-Mussolini press castigated Butler for insulting the head of a "friendly power." The Secretary of State, Henry Simpson, cabled a personal apology, on behalf of Herbert Hoover, to *Il Duce*.

On Jan. 29, Butler, the commandant of the Quantico Marine base at the time, was placed under arrest and told that he was to be court-martialled by direct order of President Hoover, with the full approval of the Secretary of the Navy.

The plans for the court-martial provoked a tremendous outpouring of support for Butler. The anti-fascist local press leveled charges against the Hoover Administration that it was knuckling under to the "thug" Mussolini and sacrificing America's most distinguished military figure. Franklin Roosevelt, then the Governor of New York, and a friend of Butler's dating from FDR's days as Assistant Secretary of the Navy, worked to help the general and spoke out against his court-martial.

Hoover and Adams were forced to back down. By Feb. 9, the court-martial was cancelled, and Butler was given only a



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The American Legion became a stooge of the fascist bankers, as its commander in chief proclaimed in 1923 that "the American Legion stands ready to protect our country's institutions and ideals as the Fascisti dealt with the destructionists who menaced Italy."

mild reprimand. He refused, however, to retract his statement, saying only that he had been told in advance of the meeting that what he said would be confined to the four walls of the room.

Butler's attack on *Il Duce* had angered the Morgan interests, who had played a major role in financing Mussolini's Fascists. According to testimony in Congressional hearings, the House of Morgan had syndicated a \$100 million loan to Mussolini's government in 1925, and had made subsequent loans to that government, as well as a \$30 million loan to the government of the city of Rome. Dillon Read, which had participated in the Morgan loan, also arranged a loan of \$30 million for the city of Milan.

Through the mid-1930s, Morgan partners, including Thomas Lamont, continued to praise the Fascist experiment in Italy.

American Fascism

It was becoming increasingly obvious to Butler and many others that the American Legion was a stooge of these fascist bankers. As early as 1923, the Legion's Commander in Chief Alvin Owsley, had openly embraced Mussolini, and endorsed Fascism as a viable policy for the United States. Having done that, he announced that the Legion was, if necessary, prepared to kick out the elected government of the United States and back anyone who would follow a policy of "Americanism."

"If ever needed," he stated, "the American Legion stands ready to protect our country's institutions and ideals as the *Fascisti* dealt with the destructionists who menaced Italy."

Asked if this meant taking over the government, he stated: "Exactly that. The American Legion is fighting every element that threatens our democratic government—soviets, anar-

chists, I.W.W., revolutionary socialists and every other red. . . . Do not forget that the *Fascisti* are to Italy what the American Legion is to the United States.”

In late March 1931, National Commander Ralph T. O’Neill presented Italian Ambassador de Martino with a copy of a resolution passed by the American Legion’s National Executive Committee, praising Mussolini as a great leader. Meanwhile, the Legion’s leadership propagandized against the “non-Aryan” pollution of the American stock, repeating the racist garbage of the eugenics movement.

Throughout the 1920s and early 1930s, the legion was used as a recruiting base for the rebirth of the Ku Klux Klan, with many of the Southern Legion branches operating as Klan cells.

The so-called communist menace used to help organize a fascist counter-reaction was a bogeyman. The Communist Party U.S.A. and its splinter groups, were effectively run by police agents, and other stooges, and were even funded by the bankers themselves, including Morgan. Many well-meaning people, upset with the effects of Anglo-American policy, wandered into these circles, only to have their actions rendered impotent by the overall control of these movements and their ideology.

In August 1931, Butler chose an address made before an American Legion convention in Connecticut to deliver perhaps the most remarkable speech ever given by a serving officer about the misuse of military power. “I have spent 33 years . . . being a high-class muscle man for Big Business, for Wall Street and the bankers. In short, I was a racketeer for capitalism,” Butler said.

“I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I helped make Mexico and especially Tampico safe for American oil interests in 1916. I helped make Haiti and Cuba a decent place for the National City [Bank] boys to collect revenue in. I helped rape half a dozen Central American republics for the benefit of Wall Street. . . . In China, I helped see to it that Standard Oil went its way unmolested. . . . I had . . . a swell racket. I was rewarded with honors, medals, and promotions. I might have given Al Capone a few hints. The best he could do was operate a racket in three cities. The Marines operated on three continents. . . .”

To the dismay of the bankers who directed the Legion, Butler’s remarks were greeted with riotous applause. In Washington, Hoover refused to answer reporters’ questions about the general’s statements. The major press blacked out most of what Butler said, but the word leaked out in the regional press, and was spread through word of mouth.

Navy Secretary Adams demanded that someone silence Butler, but no one dared to say anything, especially after the Mussolini flap. Butler continued to hammer away on the theme that the American military was being deployed to collect bankers’ debts and secure looting rights in foreign countries.

When Butler finally retired, he was no longer constrained by military protocol. He now travelled the country, addressing anyone who would listen, attacking the bankers who controlled the deployment of the military.

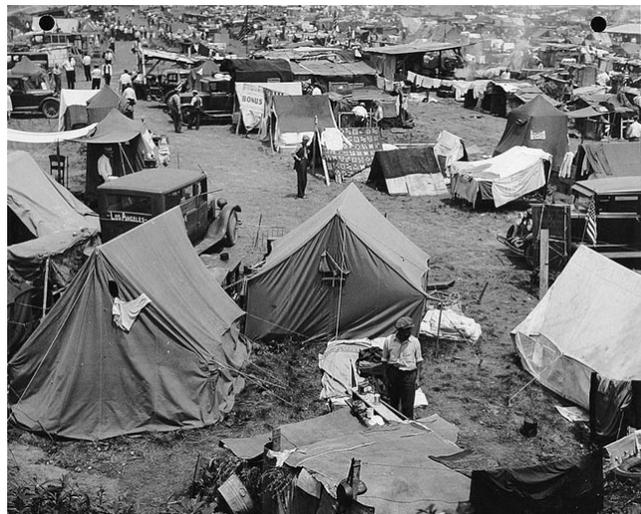
On Dec. 5, 1931, an article under his byline appeared in *Liberty Magazine*, titled “To Hell with the Admirals! Why I Retired at 50.” In it, Butler charged the leadership of the Navy with complicity in policies that now revolted him and in working to try to prevent his promotion and ultimately, to silence him. He attacked a number of Central American leaders as Wall Street stooges, naming again Brown Brothers and Morgan.

The Bonus Army

In late July 1932, the Bonus Army of unemployed and starving veterans descended upon Washington to back passage of the Bonus Bill. Butler was asked by the head of the VFW to come to lend support to the soldiers. As the soldiers rallied in Washington, the bill passed the House but was overwhelmingly defeated in the GOP-dominated Senate. Butler was asked to address the 10,000 angry veterans who had set up a shantytown on the banks of the Anacostia River.

He urged them to fight on. “If you don’t hang together, you aren’t worth a damn,” he said. “They may be calling you tramps now, but in 1917, they didn’t call you bums. . . . When you go home, go to the polls in November, lick the hell out of those who are against you. You know who they are. . . . Now go to it.” The crowd roared.

Butler stayed with the veterans, talking to them through



Library of Congress

The Bonus Army of unemployed veterans converged on Washington in July 1932. General Butler addressed the vast crowd, endorsing their demands, but urging them to “keep your sense of humor,” to avoid violence (Hoover ordered the storming of the camps the next day). The coup plotters later tried to capitalize on Butler’s rapport with the ex-soldiers, to recruit him to their scheme.

the night and into the next day. As he prepared to leave, he warned them against allowing their frustrations to well over into violence: “You are all right as long as you keep your sense of humor. . . .”

The next day, Hoover ordered Gen. Douglas MacArthur to drive the veterans from Washington at bayonet point, unleashing violence against the unarmed “army.” The nation was stunned.

Butler phoned the governors of a number of states and received their agreement to provide relief for the veterans who wanted to return home. He told the leaders of the Bonus Army of this arrangement, and urged them to break camp. They agreed. Butler then delivered a sharp attack on the Hoover Administration for its heartlessness.

For his actions, Butler earned the praise of many Americans, including the Democratic nominee for President, Franklin Roosevelt.

Butler and FDR

Butler, a lifelong Republican who claimed he had never voted for a Democrat, had greeted Roosevelt’s nomination with a wire to his former Navy assistant secretary: “We salute your nomination as one of the greatest blessings granted any nation in its hour of need.”

On July 7, speaking in New York, Butler demanded that the government be rescued from the “clutches of the greedy and dishonest.”

“Today, with all our wealth, a deadly gloom hangs over us. Today, we appear to be divided. There has developed, through the past few years, a new Tory class, a group that believes that the nation, its resources, and its manpower was provided by the Almighty for its own special use and profit. . . . On the other side is the great mass of the American people who still believe in the Declaration of Independence and in the Constitution of the United States.

“This Tory group, through its wealth, its power and its influence, has obtained a firm grip on our government, to the detriment of our people and the well-being of our nation. We will prove to the world that we meant what we said a century and half ago—that this government was instituted not only to secure for our people the rights of life, liberty, and the pursuit of happiness, but the right to eat, and to all our willing millions, the right to work.”

Butler was particularly useful to Roosevelt in countering the line from the bankers’ press that a Democratic victory would open the door to a “socialist America.” In an interview on Oct. 2, Butler branded that charge an “absurd myth.”

Less than a week before the election, at a rally in Queens, New York, Butler told cheering veterans that he was a “member of the Hoover for Ex-President League because Hoover had used gas and bayonets on unarmed human beings. . . . Nobody has any business occupying the White House who doesn’t love his own people. I was raised a Republican, but I was born an American. I have no ring through my nose and I

vote for whom I please.”¹⁶

When Roosevelt won an overwhelming victory, Butler sent him another telegram of congratulations.

Three weeks before the Inauguration, when an assassin’s bullets were fired at the President-elect, Butler wondered aloud whether those bullets weren’t being ordered by a bankers’ cabal enraged that Roosevelt would not be *their* President.

All of this would make it seem remarkable that the Morgan interests would even consider turning to Butler as the putative leader for their fascist coup against Roosevelt.

Those behind the offers to be made to Butler also believed that every person has his price, be it monetary, sexual, or other inducement. Butler seemed easy prey: After he had left the service, his financial situation bordered on the catastrophic, and he was heavily in debt. If all the appeals to the general’s ego and all the “promises” of support for his soldier causes failed, Butler, could be “bought,” they thought.

The Synarchist Connection

On July 1, two American Legion officials visited Butler at his Newton Square, Pa. home. They were Bill Doyle, the commander of the Massachusetts American Legion, and Gerald C. MacGuire, who was a former commander of the Connecticut department of the Legion.



Gerald C. MacGuire

MacGuire was in the employ of Col. Grayson Mallet-Prevost Murphy, who ran a leading New York brokerage that traded in stocks and international bond syndications, working with the House of Morgan.

Grayson Murphy, who was on Morgan’s “preferred client list,” was a director of Morgan’s Guaranty Trust bank and several Morgan-connected corporations. He and his banking house had played an important role in syndicating Morgan loans to Fascist Italy, for which he was decorated by Mussolini.

As a member of the Mallet-Prevost clan, he was at the center of international Synarchy, and was their man on the ground for this operation. Murphy came from a long line of traitors. The Mallet-Prevost families have been central to British intelligence operations since the 18th Century. They have been involved in assassinations, in espionage and political warfare against the enemies of London, (including their control of the traitor and assassin of Alexander Hamilton, Aaron Burr, who was married to a Prevost), and their direct control of the forces that ran the mobs of the French Revolu-

16. The theme of the enemy being a clique of “economic royalists” and “Tories” was later picked up and hammered home by FDR as President, as his way of identifying the Synarchist and other financial powers that were the enemies of the nation.

tion. Through intermarriages and financial manipulations, the Mallet-Prevost interests evolved into the Schlumberger financial empire, which continues to this day to play a key role in Synarchist operations, and which played a role in the assassination of President Kennedy.¹⁷

Grayson Mallet-Prevost Murphy carried on his family's tradition of treason as a high-ranking officer in a private intelligence operation that reported to the Morgan cabal, and interfaced directly with British intelligence, and reported as well to the French-Belgium networks of continental Synarchy. As early as 1903, he had been selected by President Theodore Roosevelt for secret assignments, which included planning U.S. military interventions into the Americas to collect debt, during which time he deployed directly with Morgan interests. Later, he became the head of American Red Cross relief efforts in post-World War I Europe, a post he used to develop a network of informants and operatives in European governments, again liasing to various Synarchist networks. In the 1920s, he made several "fact-finding" trips to Europe which included trips to Italy for meetings with Mussolini, prior to his 1922 March on Rome.



G. Mallet-Prevost Murphy

In February 1919, the intelligence operative Murphy had been one of 200 elite serving U.S. military officers who met in Paris with the guidance of Morgan & Company operatives and with cooperation and guidance from French Synarchist networks to found the American Legion. Murphy personally underwrote that operation to the tune of \$125,000, and solicited additional funds from allies of Morgan in the industrial and financial community.

Murphy, it was admitted to Butler in subsequent conversations, retained his role as "kingmaker" for the Legion's "Royal Family," by virtue of the fact that the Legion still owed him and his friends a great deal of money.

MacGuire informed Butler that both he, MacGuire, and Doyle, were speaking for a group of "influential" Legionnaires who were extremely dissatisfied with the Legion's current leadership, because it had betrayed the common soldier. He announced that they were planning to dislodge the current regime at an upcoming Chicago convention. They asked Butler to join their ranks, and to deliver a rabble-rousing speech against the "Royal Family."

Butler, although sympathetic, declined their invitation, stating that he wanted to stay out of internal Legion politics.

MacGuire then revealed that he was the chairman of a

"distinguished guest committee," and was on the staff of the outgoing national commander, Gen. Louis Johnson, a former Secretary of Defense (also on Morgan's preferred-client list). MacGuire claimed that he had had Johnson include Butler's name on the invitation list, but that Johnson had taken the list to Louis Howe, Roosevelt's personal political secretary, and that Howe had crossed Butler's name off, stating that the President was opposed to any invitation of Butler. They offered no reason for this, but Doyle said that they had come up with a plan for Butler to address the convention anyway: He would be appointed a delegate from Hawaii, which would therefore give him the right to speak.

Butler, smelling a rat, declined their offer. Later, Butler said that he did not believe their story about Roosevelt being against him, and that it appeared they were trying to plant ideas in his head about the President.

A Second Try

In August 1933, Doyle and MacGuire, under Murphy's directive, returned, with a new plan for the convention. They now agreed that it would be undignified for Butler to try to speak from the floor. The new plan called for him to gather 200-300 Legionnaires and take them by train to Chicago. They would scatter throughout the audience, and when Butler appeared in the gallery, they would stage a demonstration. Along with "allies" of MacGuire-Doyle faction, they would stampede the convention with cries demanding that Butler speak. They would guarantee that nothing would proceed until the general delivered a speech.

"A speech about what?" Butler asked. MacGuire and Murphy showed him the draft of the speech. Butler said that most of the soldiers he knew didn't even have enough to eat, and that he had hardly any money, and he asked how he would get them to Chicago. MacGuire showed him a bank deposit book with two recent deposits, one for \$42,000 and a second for \$64,000. Don't worry, Butler was told: If he could round up the soldiers, MacGuire and his friends would take care of getting them to Chicago and pay their expenses while there.

The speech Butler had been handed was a rabble-rousing defense of the gold standard, featuring a demand that the Roosevelt policy severing the U.S. from gold be reversed immediately, so that the soldiers' bonuses could be paid with "sound money." Butler was later to learn that the speech had been written by John W. Davis, the former Democratic Presidential candidate who was chief counsel to J.P. Morgan and Company, and the personal counsel to J.P. Morgan.

Unbeknownst to Butler, one of the funding conduits for this fascist plot was the Committee for a Sound Dollar and Sound Currency, Inc., a group backed by and composed of members of Morgan's "preferred-client list." MacGuire was an official of the committee, which produced a stream of propaganda calling for a return to the gold standard and denouncing Roosevelt's policies.

A short time after the second visit, MacGuire went to see

17. For a history of these treasonous families and networks, see Chaitkin, *op. cit.* For more on the Synarchist networks, see Papert, *op. cit.*, and Dr. Clifford Kiracofe, "The U.S.A.: Fascism Past and Present," *EIR*, July 7, 2006.

Butler again, this time alone. After listening to another pitch for him to round up 500 veterans, Butler told MacGuire that he would not risk his personal prestige unless he was told who might be standing behind him. MacGuire stated that he had the backing of “some of the most powerful men in America.” He claimed to have already a small war chest funded by nine men, with the largest contribution being \$9,000 and the smallest \$2,500. However, he would name only three men, showing their checks to Butler: his boss, Murphy; financier Robert S. Clark, a member of Morgan’s “preferred-client list” and an heir to the Singer Sewing Machine fortune; and John S. Mills, who married into the du Pont family. All three were members of the Committee for a Sound Dollar.

MacGuire told Butler that an expense account would be opened in Chicago with the money from the “nine men.”

In September 1933, MacGuire offered a bribe to Butler to deliver this “gold” speech, which he refused to accept. Instead, he asked to meet with one of MacGuire’s “higher-ups.” MacGuire agreed to “send over” Robert S. Clark to see him.

‘Roosevelt Is Weak’

One week later, Clark arrived by train in Paoli, Pa. to see Butler. Clark, as Butler described him, carried himself as a member of the “ruling class.” He asked Butler about the “gold speech,” and expressed amusement that Butler had thought that MacGuire or Doyle had written it. “That speech cost a lot of money,” he told Butler, and revealed that Davis had been its author. Butler stated that he didn’t see what difference it made to soldiers whether the nation was on the gold standard. Clark replied that the soldiers’ bonus must not be paid in “rubber money,” and that gold-backed dollars were the only answer.

Butler challenged him, stating that it looked like the speech was “a big business speech.” Clark replied, “I have \$30 million. I don’t want to lose it. I am willing to spend half the \$30 million to save the other half. If you go out and make that speech in Chicago, I am certain that they will adopt a resolution and that will be one step toward the return to gold, to have the soldiers stand up for it. We can get the soldiers in great bodies to stand up for it.”

When Butler asked why he thought that they could make Roosevelt, who was opposed to the gold standard, listen, Clark replied: “You know the President is weak. He will come right along with us. He was born in this class. He was raised in this class and he will come back. He will run true to form. In the end he will come around. But we have to be prepared to sustain him when he does.”



Robert S. Clark

Butler lost his mercurial temper. He said that he would not go to Chicago and that he refused to be part of a plan to use the soldiers to impose the gold standard and force the President “back to his class.”

Clark then tried to bribe Butler: “Why do you have to be so stubborn? Why do you want to be different from other people? We can take care of you. . . .” He offered to pay the mortgage on Butler’s house and to take care of his family.

Butler blew up. He took Clark into his trophy room, where his medals were displayed along with gifts from many poor people around the world. “I will not betray their trust,” he told Clark.

A Fascist Solution

Within a week, the Legion convention was under way in Chicago. According to a *New York Times* report, the convention was swamped by “a flood of telegrams” supporting the gold standard, and adopted by acclamation a resolution supporting it.

On his way back from Chicago, MacGuire stopped to see Butler, this time arriving in a hired limo. He and his cohorts had been successful in getting their candidate elected as commander and had passed the gold resolution, he boasted to the general. “Yes,” said Butler, “but I see you didn’t endorse the soldiers’ bonus.”

“Well, we have to have a sound currency before it is worthwhile to endorse the bonus,” MacGuire replied.

“Their man” was Frank N. Belgrano, Jr., who happened also to be a senior vice president of the Bank of Italy/Bank of America, the bank that handled Mussolini’s business accounts in the United States and internationally. Although the bankers had controlled the Legion from its outset, this was the first time that an actual banker had served as its head.

At the end of October 1933, Butler arrived in New York City to make some campaign speeches on behalf of a fellow Marine who was running for municipal office. To his surprise, he was met at Penn Station by MacGuire. Butler was planning on a nationwide recruiting tour for the VFW, to counter the treachery of the Legion and its Royal Family. MacGuire knew of his plans, which surprised the general. He was even more surprised when MacGuire proposed that he accompany Butler, “to talk to the soldiers in the background and to see if we cannot get them to join a great big superorganization to maintain democracy.”

This was the first time that MacGuire was to mention the creation of an organization that would essentially supersede the Legion, the first indication that something more than support for the gold standard was a goal. Butler told MacGuire that he couldn’t stop him from following him around, but that he wanted no part of such organizing, which he said would “fiddle with this form of government.” MacGuire assured him that this was not their goal, that everything would be “very democratic.”

MacGuire also offered to finance the general’s tour



Thomas Lamont, a Morgan partner, praised Mussolini's Fascism in a 1933 speech, saying that such an approach might be needed for the United States.

through payments of \$750 for each speech in which he inserted a short reference to the need for the gold standard. Butler again refused to have words put in his mouth, at any price. MacGuire left, and disappeared for a time from the scene.

The White House was made aware of MacGuire's activities in trying to use the general to work against Roosevelt policy. On Dec. 11, a former New York City detective, an associate of the Senate Banking Committee counsel and former assistant New York District Attorney Ferdinand Pecora, Val O'Farrell, sent a confidential letter to Roosevelt's personal secretary Col. Louis Howe, detailing the offer and praising Butler for refusing it. O'Farrell indicated that it was his belief that a plot against the U.S. government was afoot.

The bankers' cabal began now to consider more drastic action to deal with their "Roosevelt problem."

The keynote for what was intended was struck by none other than Morgan partner Thomas Lamont, who chose an address before the Foreign Policy Association, to heap praise on Mussolini, stating that Fascism, as an economic and political policy, works.

"We count ourselves liberal, I suppose," he told the FPA. "Are we liberal enough to be willing for the Italian people to have the sort of government they apparently want?" asked Lamont.

Fascism, or some variant of it, he said, was not to be ruled out as policy for the United States.¹⁸

On Dec. 1, 1933, MacGuire left with his family for a seven-month trip to Europe, spending time in France, Fascist Italy, Nazi Germany, England, Scotland, Holland, and, according to one report, Russia. He was later to report to Butler that he was on a "fact-finding" mission to study the relationship of soldiers to fascist mass movements. He was looking for something that would work in the United States.

MacGuire, to impress Butler with the powers that were backing his efforts to establish a fascist superorganization, stated that while in Paris, he worked directly from the offices of Morgan and Harges. MacGuire may have indeed established contacts with various fascist organizations, and found the structure of the Synarchist-supported "secret conspiracy" of the French Croix du Feu (Fiery Cross) a useful model for the type of organization to be created in the United States. But those behind the bond salesman and manipulator MacGuire certainly did not need to learn how to create fascist "mass" movements, of either the left or right. They had been doing so for years.

The Fascist Base for the Coup

It would be easy to dismiss the plot as improbable, if not impossible. It had, with Butler's steadfast refusal to participate, no "man on a white horse" to lead it, and would appear to have only the slightest base among disgruntled veterans. However, with mass unemployment and despair still gripping the nation in these early days of the New Deal, before FDR's job and infrastructure programs "kicked in," the coup plotters believed that the climate was ripe for mass recruitment to fascism.

MacGuire sent Butler a card from the French Riviera in February. He sent another in June 1934 from Berlin.

During the Spring of 1934, money was pumped into the creation of various fascist paramilitary organizations, each of which claimed to be the protection of America from the "Red Menace" and the "New Deal." Some were openly fascist, such as the Silver Shirts, the stormtroopers led by the Rev. Gerald L. K. Smith. Others, such as the Crusaders, spurned the fascist epithet, but nonetheless avowed fascist policy goals to crush organized labor and the "Reds." Still others were directly funded by bankers and financiers, such as the Sentinels of the Republic, funded by the Morgan-allied Pew and Pitcairn families.

The Scottish Rite Freemasons, in the tradition of the treasonous Albert Pike, helped John H. Kirby establish the Southern Committee To Uphold the Constitution, which, like the Klan itself, was financed with "Northern money."

In Hollywood, the actor Victor McLaglen, who was reputed to be an operative of the British Foreign Office, established the California Light Brigade, which was ready to march at a moment's notice against any threat to "Americanism." He was rewarded for his efforts with an Academy Award for best actor by pro-fascist Louis Mayer's Academy of Motion Picture Arts in 1935.

All these organizations spawned cells throughout the country. They were in no way impeded in their operations by the FBI, under the direction of Masonic operative "Gay" Edgar Hoover.

This organizing, in the Spring and early Summer of 1934, took place under an intensifying media barrage about the danger of "New Deal socialism" and the threat of a "Red" take-

18. Taken from the Foreign Policy Association's transcript of his remarks, as reported in Archer, *op. cit.*



The Luce interests' Time magazine gave frequent and enthusiastic praise to Mussolini (shown here, with his sons). Said Rep. John McCormack, years later, "Time has always been about as filthy a publication as ever existed. I've said it publicly many times. The truth gets no coverage at all. . . ."

over in the United States. Morgan mouthpiece Herbert Hoover called the New Deal "class hatred . . . preached by the White House," and its policies, "universal bankruptcy." He urged the American people to "rise up" against the menace represented by Roosevelt.

While this propaganda was directed at the Babbitts of the American middle class, there was an outright organizing campaign for fascism directed at the leaders of American industry and finance, and management-level personnel in the private sector and the government. The content of this, taken from the media of the day, is all basically the same: glorification of the economic "miracle" of Mussolini's Italy, with the pointed inference that this form of Fascism was just what the doctor ordered to restore order in the United States.

For example, the July 1934 issue of Henry Luce's *Fortune* magazine devoted its entire issue to praise of Mussolini! In an editorial by Laird Goldsborough, the British-linked foreign editor of the magazine, readers were told that "Fascism is achieving in a few years or decades such a conquest of the spirit of man as Christianity achieved only in ten centuries. . . . The good journalist must recognize in Fascism certain

ancient virtues of the race, whether or not they happen to be momentarily fashionable in his own country. Among these are Discipline, Duty, Courage, Glory, and Sacrifice."

The Plan for the Coup

On Aug. 22, Butler received a phone call from MacGuire, who said there was something "of the utmost importance" that he must tell the general *that* day. Butler, exhausted from a nationwide tour for the VFW, nonetheless agreed to meet him at the Bellevue Hotel in Philadelphia. In a corner of the hotel's deserted restaurant, MacGuire laid out the plans that been hatched in Europe, and now apparently agreed upon by the coup plotters.

Now, MacGuire said, the time had come to "get the soldiers together." He explained that the purpose of his European trip was to study organizations whose methods and structure could be adapted to American needs. He had found that veterans' organizations were the "backbone" of the fascist movements in Italy and Germany; however, American soldiers would not go along with a paramilitary movement, organized for an overtly political purpose.

However, in France, he said, he had found the perfect organization: the Synarchist-linked "Croix du Feu" of de la Rocque. This organization had functioned politically, but was organized for an economic purpose. He explained that the "Fiery Cross" had a core membership of about 500,000 officers and non-commissioned officers, but that each member was responsible for organizing at least ten others, covertly, giving the organization a "fighting strength" of more than 5 million.

Butler asked what this new "superorganization" of soldiers would do. MacGuire hesitated, then answered that it would "support" the President; the general replied that Roosevelt didn't need such support and wondered when MacGuire and his clique had become "supporters" of Roosevelt.

MacGuire responded by pointing out that Roosevelt needed money to finance the New Deal and that money came from the sale of government bonds through the banking interests that were controlled by Morgan and his allies. "There is not any more money to give him," MacGuire now claimed. "Eighty percent of the money is now in government bonds, and he can't keep this racket up much longer. . . . He has either got to get more money out of us or *he has got to change the method of financing the government*, and we are going to see that he does not change that method. He will not change it."

MacGuire tried to explain that his backers were confident that they would force Roosevelt to change his policy, and the 500,000 soldiers and the millions behind them in secret organizations "would sustain him when others assault him."

Butler questioned how Roosevelt, who had staked his personal reputation on the New Deal, would explain such an abrupt about-face.

MacGuire explained that Roosevelt did not have to "explain" it.

“Did it ever occur to you that the President is overworked?” MacGuire asked. He said that the “overworked President” needed help, and that an “assistant President” was needed. This “assistant President” would take over much of Roosevelt’s job and could take the blame for the change of policy.

MacGuire said that it “wouldn’t take any constitutional change to authorize another cabinet official, somebody to take over the details of the office—to take them off the President’s shoulders.” He mentioned that the position would be sort of a “super secretary” or what he referred to as a “secretary of general affairs.” MacGuire claimed that the American people would be more than willing to swallow this: “We have got all the newspapers. We will start a campaign that the President’s health is failing. Everybody can tell by looking at him, and the dumb American people will fall for it in a second.”

MacGuire then indicated that Roosevelt was already surrounded by allies of the coup plotters. He said that the pro-fascist Gen. Hugh Johnson, whom Roosevelt had put in charge of the National Recovery Administration (NRA), and who had expressed admiration for Mussolini, was the man the Morgan group would have preferred as this general secretary. But, according to MacGuire, Roosevelt was going to fire him because he “talked too damn much.” (Roosevelt did fire Johnson, the following month.)

Butler asked MacGuire how he knew so much about what was going on inside the White House and the administration. “Oh, we are in with him all the time,” came the reply. “We know what is going to happen.”

MacGuire told Butler that, within a year from this discussion, the coup plotters wanted him to march his army of 500,000 into Washington. He stressed that there would be no revolution, that everything would be constitutional: It had all been worked out, in advance. Secretary of State Cordell Hull would resign, as would Vice President John Nance Garner; the sense given was that both these figures were “in” on the plot, or minimally, that Morgan and their allies had enough “chits” to call in that they could be counted on to do what they were instructed. According to MacGuire, Roosevelt would allow the plotters to appoint a new Secretary of State. If Roosevelt, with 500,000 men occupying Washington, was willing to “return to his class,” he would be allowed to remain on as President.

“We’d do with him what Mussolini did to the King of Italy,” MacGuire told Butler, saying that the President’s function would become ceremonial, much like the President of France.

But, if Roosevelt refused to go along, MacGuire insisted, he “would be forced to resign, whereupon under the Constitution, the Presidential succession would place the Secretary of State in the White House.” Butler was to tell a Congressional committee that MacGuire thought that all this could take place bloodlessly—a “cold coup.” All that was needed was a “show of force in Washington” and then he, Butler, would be “the

man on the white horse” who would “ride to the rescue of capitalism.” An armed show of force was the “only way to save the capitalist system,” MacGuire asserted.

Butler, trying to play along with MacGuire to discover who was behind this plot, said that what was being proposed would cost a great deal of money. He was told not to worry. MacGuire already had “\$3 million to start with, on the line, and we can get \$300 million if we need it.”

He then told Butler that powerful people stood directly behind the plan. When he was in Europe, he reported, he had held meetings at the Paris office of Morgan & Hodges, Morgan’s Paris operation. He claimed that the Morgan group had strong reservations about Butler, fearing that he might try to double-cross them. He stressed that the others involved, however, had gotten the Morgan interests to agree that Butler was the best man to “get the soldiers together,” implying that Grayson Murphy, Clark, and he, himself had backed the general.

Butler tried to probe further, asking when there would be signs of the coming together of a larger and powerful organization which would provide public backing for this plot. He was astonished when he was told that “within a few weeks” there would be an organization of some of the most powerful people in the land who would come together to “defend the Constitution.” MacGuire explained the manner in which this organization, which he would not name, would function, using a musical analogy: It was to serve the purpose of “the villagers or chorus in an opera,” establishing the setting and the scene, for the great action to take place.

Asked for more information, MacGuire would only reveal that one of the new group’s spokesmen would be the 1928 Democratic Presidential candidate Al Smith, who until that time had backed Roosevelt and the New Deal. It was explained that Smith, who edited *New Outlook* magazine, would within weeks, break with Roosevelt and launch attacks on the New Deal and the administration. It had all been arranged, he told Butler, who still refused to make a commitment to the plot.

The League of Treason

As MacGuire and Butler met in Philadelphia, Jouett Shouse, a protégé of du Pont lawyer and Morgan operative John J. Raskob, who had headed the Democratic Party, assembled the press in his office in Washington, D.C.’s National Press Building to announce the formation of a new policy advocacy group, the American Liberty League.

A former Congressman from Kansas and Assistant Secretary of the Treasury during the Wilson Administration, Shouse had gained the reputation of a political “fixer,” much like the present-day Robert Strauss. In 1928, the bankers’ operative Raskob, a former director of General Motors, was moved into the chairmanship of the Democratic National Committee, running the disastrous election campaign of Al Smith, ensuring a Hoover victory. Not wishing to give up

control of the party to the political machines, Raskob brought in Shouse as the executive director of the National Committee. As soon as Roosevelt was in a position to do it, he moved to get rid of both of these “inside” men.

Shouse claimed that the Liberty League would be a mass-based movement, whose intention it was, as the next day’s headline on the front page of the *New York Times* declared, “To Scan New Deal, ‘Protect Rights.’” The *Times* printed the entirety of Shouse’s statement, which had been prepared in conjunction with Raskob. This new organization would, according to Shouse, “unite several millions of people from all walks of life who are now without organized influence in legislative matters.”

There were, said Shouse, “no covert purposes. There is no object sought beyond the simple statement in our charter. . . . The League aims to do just what is outlined in its charter, to organize those who believe in upholding property and constitutional rights into a vocal group,” Shouse told the press. “It is not intended to be antagonistic to the administration. We intend to try to help the President.” Asked how such a group could “help” the President, Shouse replied: “If a tendency towards extreme radicalism developed which the President wished to check, we might be most helpful with our organization in which we expect to enlist 2,000,000 to 3,000,000.”

Shouse announced that a group had been self-selected to serve as the League’s initiating executive committee. All of them were Morgan-allied stooges: Morgan’s lawyer, John W. Davis, the former Democratic Presidential candidate; Irénée du Pont, who ran the du Pont fortune, at that point controlled by the Morgan interests; Nathan Miller, the former GOP Governor of New York and a Morgan preferred-client list member; Rep. James Wadsworth (R-N.Y.), a supporter of the gold standard; and Al Smith, the “Happy Warrior” who had been totally corrupted by Morgan money and who had headed the corporation that built and ran the Empire State Building.

Shouse showed the press letters from financiers, business leaders, and politicians from all over the country, applauding the League’s formation.

A few weeks later, this group was expanded to include additional prominent leaders of finance and business, with a heavy emphasis on Morgan allies. On its advisory council were, among 200 others: Dr. Samuel Hardin Church, who ran the Carnegie Institute in Pittsburgh, and who was a mouthpiece for the Mellons; W.R. Perkins of National City Bank; Alfred Sloan, the man the Morgans selected to run General Motors; David Reed, a U.S. Senator from Pennsylvania, who in May 1932, said on the floor of the Senate, “I do not often envy other countries and their governments, but I say that if this country ever needed a Mussolini, it needs one now”; E.T. Weir of Weirton Steel, who was also known as a supporter of Fascism. On its executive committee was Morgan stooge and former New York Supreme Court Justice Joseph M. Proskauer, the general counsel to the Consolidated Gas Com-

pany, who later became the chief spokesman against the anti-Nazi boycott; J. Howard Pew of Sun Oil and the funder of the openly fascist Sentinels of the Republic; and Hal Roach, the Hollywood producer, who, like many of his peers, was an open admirer of Mussolini, and who was later to become a partner with Mussolini’s son in a Hollywood production company, RAM (“Roach and Mussolini”) Films, Inc.

The League’s treasurer was none other than Grayson Mallet-Prevost Murphy.

Despite all the publicity and statements from Shouse, the League never recruited large numbers of people, nor was it really intended to. It was a sham, intended to give the appearance of mass resistance to Roosevelt, and to offer a constant attack on his policies.

One week earlier, Shouse had gone to the White House to brief the President on the new organization, and ascertain the President’s advance knowledge, while seeking a statement of support for League from FDR; no such statement ever came.

Roosevelt returned to Washington on Aug. 24 and held his weekly press conference. He had avoided all comment on the League until then, but when asked, he had a ready reply. The Liberty League, he told the press, was founded “to uphold two of the Ten Commandments,” the ones nominally dealing with protecting property. It said nothing about protecting the average citizen, or of helping the unemployed and others in need. In short, said the President, it didn’t deal with anything that was covered by that most important Commandment, “Thou shalt love thy neighbor as thyself.” The League was fine as far as it went, he said, but it was stopping short of doing what was Christian and necessary. He couldn’t support it because of that problem, but whether other people want to or not, is “none of my business,” he said, laughing.

The League’s attack on Roosevelt started in late November, after the Fall Congressional elections. In the last four months of 1934, it spent about \$94,000; the next year it was to spend just under \$390,000, mostly on the publication and circulation of pamphlets, leaflets, and bulletins attacking Roosevelt’s policies. The League also received millions of dollars in free publicity for its “authoritative” views from very friendly press and radio networks. This operation, in all its forms, was the most sophisticated multi-media smear campaign in history up to that point.

The Plot Is Exposed

After the Aug. 22 meeting, and the quick succession of events that MacGuire had matter of factly “forecast,” including the appearance of the Liberty League, Butler became convinced that a network, centered around the powerful Morgan interests, had indeed launched a “live” coup operation against the government in Washington.

Butler decided that it was his duty, regardless of the consequences that might befall him and his family, to expose the plotters, to the extent of his knowledge of that plot. He had been both controversial and in the public eye for some time;

he realized that all those involved in the plot would simply deny it, using their influence over the press to ridicule him for publicity seeking. He therefore decided to take a risk, and seek help in at least corroborating some of the key information, before he went public.

Butler turned to Tom O'Neill, the city editor of the *Philadelphia Record* with whom he had become friends during his stint fighting the underworld as the city's appointed anti-crime czar in the 1920s. O'Neill was flabbergasted by the report of the coup plot, but knowing how the Morgan interests operated in his own city, he didn't doubt that they were capable of treason. He assigned his star reporter, Paul Comley French, to investigate the story. French, who also wrote for the *New York Evening Post* and who was later to become the director of the Committee for American Relief in Europe (CARE), was set up by Butler to talk to MacGuire, posing as an intermediary to discuss the general's further participation in MacGuire's plans.

In early September, French went to see MacGuire at his offices on the premises of Grayson M.P. Murphy and Company in New York. In the meeting, French was able to substantiate every allegation about the plot that Butler had attributed to MacGuire. But the bond salesman chose to be even more frank with French than he had dared to be with the general. He made it clear that those backing the coup were interested in destroying the Presidency and in creating an American form of fascist government.

"We need a fascist government," French was to quote MacGuire as saying, in his testimony before a Congressional committee, "to save the nation from the Communists." MacGuire repeated this theme several times during his conversation with French. Taking the bait that French was operating as Butler's "agent" in negotiations, MacGuire told him that his backers would have no problems coming up with \$1 million immediately to organize Butler's "army." MacGuire said that all he needed to do to get the money was to place phone calls to Morgan attorney John W. Davis and W.R. Perkins of National City Bank, and to some other people of similar status. MacGuire also revealed that several national commanders of the American Legion, including Louis Johnson, Henry Stevens, and the present commander, the banker Frank Belgrano, were all in favor of the plot and would back it.

MacGuire, seeing that French was more interested in questions of policy than the crusty general, informed French that his backers had already devised a plan to end unemployment: "It was the plan that Hitler had used in putting all of the unemployed in labor camps or barracks—enforced labor. That would solve it overnight." He also claimed that they would force everyone in the nation to "register" and carry identification papers. "He said that would stop a lot of these communist agitators who were running around the country," French later told the Congressional committee.

MacGuire reported that those behind him were going to deliberately create a financial crisis for the administration.

They were prepared to choke off credit to the New Deal programs, force interest rates higher, and force the rates that the government would have to pay to borrow up toward then-astronomical level of 5% or more. This, MacGuire said, would produce a "new crash." He then described how the crash would unleash the "left," creating new agitation and disruptions, especially among the growing numbers of new unemployed. With the nation consumed in chaos, the time would be right for the "man on the white horse" to ride into Washington, overturn the elected government, put an end to "Presidential rule," and start a new, fascist era for the nation.

MacGuire told French that it would be no problem getting the soldiers Army weapons from the du Pont-controlled Remington Arms Company; the du Pont interests were fully in support of the plans, MacGuire stated.

French went to see MacGuire once more, on Sept. 27, again at the offices of Grayson M.P. Murphy and Co. in New York. MacGuire said that things were moving along nicely. " 'Everything is coming our way' is the way he expressed it," French told the committee.

With corroboration in hand, Butler felt it now was necessary to go public. Before he could make his decision on how to proceed, he was approached by investigators for the Special House Committee To Investigate Nazi Activities in the United States.

That committee would soon have its Congressional mandate changed to focus primarily on "Reds," evolving still later into the House Un-American Activities Committee, which became even more noxious under the leadership of Rep. Martin Dies. But at that moment, its leadership was controlled by allies of Roosevelt. The committee had, through its own sources, heard of a plot to overthrow the government that had involved General Butler. It was arranged for Butler to testify in executive session on Nov. 20, when the committee was in New York.

Butler welcomed the chance to testify, but was concerned that it was going to be behind closed doors. This would allow for managed news coverage, which could be leaked to the media from the committee staff. It would also mean that, with the plotters controlling the press, there would be no assurance that his story would ever be made known to the American people. Butler and French decided on an insurance policy: Three days before he was to testify, French broke the coup story simultaneously in *The Record* and *The Post*, under the banner headline "\$3,000,000 Bid for Fascist Army Bared"; the story featured direct statements from Butler, naming most of the names he was later to reveal in his testimony.

Butler Names the Names

As the hearing opened on Nov. 20, Butler thought it necessary to make a brief statement concerning his involvement in the plot: "May I preface my remarks, by saying sir, that I have one interest in all of this and that is to try to do my best to see that democracy is maintained in this country?"

Cutting him short, committee co-chair Rep. John McCormack, Democrat of Massachusetts, who was later to become Speaker of the House, stated, "Nobody who has either read or known about General Butler would have anything but that understanding."

Butler then proceeded to tell the story, in the great detail that we have described above. He was asked for clarification on several points. The general provided what additional details he could, but never ventured into speculation, sticking to the statements made directly to him by those involved in the conspiracy.

He was followed as a witness by Paul Comley French, who, from his own direct contact with MacGuire, was able to corroborate all the pertinent details of the fascist plot, and added additional details revealed by MacGuire, including the fascist policies preferred by the coup's backers. In all, their testimony lasted approximately two hours.

Butler and French were followed in the afternoon by Gerald MacGuire, the employee of Grayson M.P. Murphy who had served as the intermediary for "the higher ups" to General Butler. MacGuire meekly claimed that he was merely a \$150-a-week bond salesman, and denied that there was any plot. He told the committee that he had merely gone to talk to the general about buying some bonds.

Committee investigators produced evidence that the bond salesman MacGuire handled funding for various operations outside "normal business," for the banker Robert S. Clark, for whom he did not work. It was revealed that he was the treasurer for the Committee for a Sound Dollar, Inc., which was widely known to be a front for Morgan and other large financial interests. Caught in his own lies, MacGuire offered no explanation of how he became involved in this activity, but claimed that it had nothing to do with any conversations with General Butler, whom he described as a "personal friend."

Several times, under direct examination, MacGuire denied having asked Butler to lead any organization of soldiers or having discussed any plans to march "troops" on Washington.

Members of the committee found MacGuire's denials unconvincing; they ordered him to return the next day for further questioning.

On Nov. 21, the *New York Times*, a paper that Heywood Broun once described as "black with the shoe polish of Morgan," took the lead in this campaign, with a front-page, two-column article under the headline: "General Butler Bares 'Fascist Plot' To Seize Government by Force." Having already put the words 'fascist plot' in quotes, the paper led with: "A plot of Wall Street interests to overthrow President Roosevelt and establish a fascist dictatorship backed by a private army of 500,000 ex-soldiers and others, was charged by Major General Smedley D. Butler, retired Marine Corps



LBJ Library

Speaker of the House John McCormack, with President Lyndon Johnson in the background. McCormack had run the hearings on the Butler allegations in 1934. Years later, he declared, "If General Butler had not been the patriot that he was" and exposed the plot to overthrow the government, "there is no telling what might have taken place."

officer, who appeared yesterday before the House Un-American Activities Committee, which began hearings on the charges."

The *Times* avoided providing on the front page an account of the charges as given by the committee co-chairs, and instead, citing "sources in Philadelphia," the paper claimed that Butler had named Morgan and Murphy as being behind a plan under which the former NRA administrator Hugh Johnson "was scheduled for the role of dictator."

What followed on the front page was a string of denials or ridicule of the charges from those prominent people named: "Perfect moonshine! Too utterly ridiculous to comment upon," said Morgan partner Thomas Lamont. "A fantasy! I can't imagine how anyone could produce it or any sane person believe it. It is absolutely false as far as it relates to me and my firm, and I don't believe there is a word of truth in it with regards to Mr. MacGuire," said Grayson Murphy. "It's a joke! A publicity stunt! I know nothing about it. The matter is made up out of whole cloth. I deny it completely," said Gerald MacGuire. "He had better be pretty damn careful. Nobody said a word to me about anything of this kind and if they did, I'd throw them out the window. I know nothing about it," said Hugh Johnson.

Only on the jump page, did one find some details of what Butler had charged, and statements by committee co-chair Rep. Samuel Dickstein (D-N.Y.), that Butler had substantiated much of what had been attributed to him in previous press reports. "From present indications," Dickstein is quoted as saying, "Butler has the evidence. He's not going to make these charges unless he has something to back them up. We'll have names here with bigger names than his."

The article ended with another denial by Grayson Murphy

of any involvement, terming reports of his involvement “an absolute lie.”

That same day, Nov. 21, 1934, MacGuire entered the committee room with his lawyer, and the doors were closed once again. Once again, he denied all charges that he had approached General Butler with plans for a fascist coup, or that he had asked Butler to lead an army of ex-soldiers on Washington, D.C.

MacGuire did not know that the investigators for the McCormack-Dickstein committee already had in their possession letters from MacGuire to Clark and his lawyer Albert Grant Christmas, describing the former’s search, at the latter’s request, for an appropriate fascist organization, while on his all-expenses-paid junket to Europe.

In answer to many specific questions, MacGuire feigned a loss of memory: “It’s too far back . . . I can’t recall.”

Emerging from the hearing room, Representative Dickstein told reporters, supposedly off the record after MacGuire’s testimony, that the bond salesman was “hanging himself” by contradictions in his account of events, and by forced admissions when confronted with evidence developed by investigators.

Mangling the News

The *New York Times* of Nov. 22 pulled the story off its front page, placing it on page 5, in one column, under the headline “Inquiry Pressed in ‘Fascist Plot.’” It led with MacGuire’s denials of all charges. Committee co-chair McCormack stressed that all testimony would be withheld. Backtracking, McCormack now said that the committee was undecided as to calling any other witnesses, or whether there would be a public hearing.

The *Times* and those who dictated its policy were clearly upset by what was occurring and didn’t think it sufficient to merely mangle and manage the news. Its lead editorial was entitled, “Credulity Unlimited,” and began: “A Washington correspondent asked: ‘What can we believe?’ Apparently, anything, to judge by the number of people who lend a credulous ear to the story of General Butler’s 500,000 Fascists in buckram marching on Washington to seize the government. Details are lacking to lend verisimilitude to an otherwise bald and unconvincing narrative. . . . The whole story sounds like a gigantic hoax. General Butler himself does not appear to more than half credit it. He and some others, however, ask us to follow the famous saying of Tertullian: ‘I believe it because it is impossible.’ It does not merit serious discussion, but if the army and the navy authorities, or the Congressional committee can develop any ‘facts’ about it, let them do so quickly, so as to prevent this nation from appearing as gullible as were the Germans in the case of the Hauptmann von Kopenick,” the innocent person the Nazis blamed for the Reichstag Fire.

With the *Times* editorial setting the tone, there began a smear and ridicule campaign against Butler. New York’s

Mayor Fiorello LaGuardia, who was known as the “Little Flower,” but who more appropriately should have been called the “Little Fascist,” a lover of the Fascist program of Mussolini, coined the term “cocktail putsch” to describe the Butler story: It’s a joke of some kind, he told the wire services; “someone at a party had suggested the idea to the ex-Marine as a joke.”

It was decided that, given the extreme interest in Butler’s remarks and in the speculation taking place about them, the committee would issue a summary of what it had found during the executive sessions. In a statement announcing the committee’s intentions, McCormack said that the committee would reveal “several important inconsistencies” between MacGuire’s testimony and what he was telling the press—which the press was subsequently quoting and portraying as “fact.” The Congressman emphasized that General Butler could not and should not be accused of “publicity seeking” in going public with his exposure of the plot.

On Nov. 26, the committee released an 8,000-word statement summarizing the testimony and providing details of the plot. It showed that MacGuire swore several times his denial of the details of Butler’s testimony about the expenditure of monies for purposes described in the general’s testimony, only to have committee investigators substantiate each of the general’s claims.

However, the attention of most of the press focussed on the first paragraph of the summary statement: “This committee has had no evidence before it that would in the slightest degree warrant calling before it such men as John W. Davis, General Hugh Johnson, General James G. Harbord, Thomas W. Lamont, Admiral William S. Sims or Hanford MacNider. The committee will not take cognizance of names brought into testimony which constitutes mere hearsay. . . .”

Whatever was being done by the committee was being worked out directly with the White House, and most likely with Roosevelt himself. That was the reason for the hinting about the calling of big names, and then the apparent pullback from that posture. From the point that Butler had stepped forward and likely even before that, the White House knew that it had caught its enemies in the act of treason. From the point of its public revelation, prior to the committee hearing, by the reporter French, and then in the hearing itself, the attempted fascist coup was a dead letter: It could no longer happen as planned, under any circumstances.

The Morgan interests and their allies were named by Butler, and now their names appeared in the first paragraph of the committee’s summary. There had been 16 people named by Butler, but of those 16, the names of Morgan lawyer Davis, Morgan partner Lamont, supposed Morgan stooge Johnson (whom Roosevelt had fired as NRA administrator), and Morgan operative MacNider, were placed in the first paragraph. Meanwhile, left open was the possibility of calling Clark, his attorney Christmas, and Grayson Murphy, the treasurer of the Liberty League.

Dickstein had sent Roosevelt a copy of the report. Roosevelt sent the Congressman a reply on Nov. 30. "I am very interested in having it," wrote the President. "I take it that the committee will proceed further."

The plotters also ordered an intensification of the ridicule of General Butler. The vehicle chosen was *Time* magazine, the Luce interests' mass circulation "current events" rag. Under the headline "Plot Without Plotters," the Dec. 3 *Time* ran a parody of Butler's testimony as its lead article. After mocking details of the plot, *Time* wrote: "Such was the nightmarish page of future United States history pictured last week in Manhattan by General Butler himself to the Special House Committee investigating un-American activities. No military officer of the United States since the late tempestuous George Custer has succeeded in floundering in so much hot water as Smedley Darlington Butler."

Interviewed 27 years later by author Jules Archer, the still-feisty McCormack commented: "*Time* has always been about as filthy a publication as ever existed. I've said it publicly many times. The truth gets no coverage at all. . . ."

From around the country, VFW posts sent letters of support to President Roosevelt, commending Butler for exposing the plot. VFW Commander Van Zandt gave radio interviews supporting the statements of General Butler. Other letters went to newspapers demanding fair coverage of the general's statements. Butler himself took to the airwaves starting Jan. 4, 1935, on WCAU in Philadelphia, repeating the charges he had made before the committee and demanding that action be taken against those powerful interests, led by the Morgans, who would impose a fascist regime on America.

Coverup

With the hearings concluded, Dickstein stated in February 1935, "The country should know the full truth about these reputed overtures to General Butler. If there are individuals or people who have these ideas and plans such as he testified to, they should be dragged out into the open."

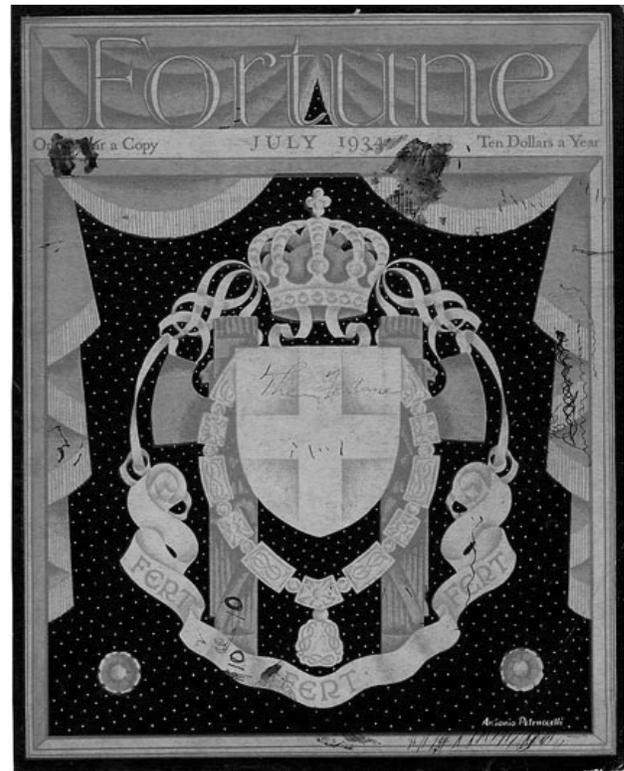
The Morgan lobbyists pulled whatever levers they had to let the investigation die. It would have taken direct intervention from the White House to force the issue, but no such intervention was forthcoming.

On Feb. 15, the committee published its findings in a report submitted to the House, on its full investigation. The section dealing with the Butler testimony began with the following paragraphs:

"In the last few weeks of the committee's official life, it received evidence that certain persons had made an attempt to establish a fascist organization in this country.

"No evidence was presented and this committee had none to show a connection between this effort and any fascist activity of any European country.

"There is no question that these attempts were discussed, were planned, and might have been placed in execution when and if the financial backers deemed expedient. . . ."



Henry Luce's *Fortune* magazine devoted its July 1934 issue exclusively to praise of Mussolini. "Fascism is achieving in a few years or decades such a conquest of the spirit of man as Christianity achieved only in ten centuries," the editorial proclaimed.

"The committee received evidence from Major General Smedley D. Butler (ret.), twice decorated by the Congress of the United States. He testified before the committee on conversations with one Gerald C. MacGuire in which the latter is alleged to have suggested the formation of a fascist army under the leadership of General Butler.

"MacGuire denied these allegations under oath, but our committee was able to verify all the pertinent statements of General Butler, with the exception of the direct statement suggesting the creation of the organization. This however was corroborated in the correspondence of MacGuire . . . while MacGuire was abroad studying various forms of organizations of fascist character. . . ."

The committee had thus stated that it had *confirmed a plot to seize the government of the United States by force, organized by interests whose control by Morgan and allied circles was already widely established.* However, that was as far as it went: There would be no prosecution of the individuals and entities named by Butler and confirmed by the committee to be at least contemplating a seditious, fascist plot against the lawful government of the United States.

With the *Times* in the lead, the national media now buried the story or did not cover it all.

The story would have probably stayed buried, had it not

been for a discovery made by the journalist John L. Spivak, who wrote for the Communist-linked magazine *New Masses*. He had been tipped by a source in Washington that the committee's report had been "sanitized," that sections of General Butler's testimony had been deleted, especially the parts where he named some of the Wall Street conspirators, other than Clark, Murphy, and MacGuire, and including the references to Morgan partner Thomas Lamont and John W. Davis, the Morgan lawyer, as well as Butler's statements about the American Liberty League. Somehow, the unexpurgated transcripts, which confirmed the censorship, were handed to Spivak.

Butler took to the radio in a campaign denouncing the committee for bowing to the power of Wall Street and for censoring his remarks. Meanwhile, Spivak published an exposé of the coverup in *New Masses*, charging a wide-ranging conspiracy to bury the true origins of the plot and political deals to protect those who would commit treason.¹⁹

Butler Is Tamed

As for the straight-talking General Butler, he was placed under effective control of the same traitorous crowd he sought to destroy.

Shortly after the hearings, "Gay" Edgar Hoover was dispatched to personally solicit the general's "advice" on crime fighting; he quickly became a trusted confidant of Butler. The general who had exposed the attempt to impose a fascist police state now became a gushing admirer of Hoover and his police-state tactics. Unbeknownst to Butler, Hoover kept close tabs on all the general's activities, including his associations with "leftists" such as Spivak.

Becoming increasingly discouraged by Roosevelt's policy of rearmament, which he mistook for a "racket" directed by Wall Street, Butler broke with the President. His speeches became more and more pacifist, even as the threat of the expansion of fascism in Europe became more real. Butler fought against any use of American troops overseas, and any use of troops at all, unless the United States itself were attacked.

However, Butler continued to make reference to the "Wall Street plot," as he made thousands of talks to groups of all kinds and sizes across the country. He died on June 21, 1940 probably of cancer, only hours before France was to surrender to Hitler.

19. In 1935, the popular novelist Sinclair Lewis created a bestselling novel about the coup, entitled *It Can't Happen Here*. Lewis presents the story of a financier and big business plot that overthrows a popular President who had moved to challenge their power, deposing him with a populist hero, "a man on a white horse;" the novel dealt with the resistance to this fascist coup. Lewis created a screenplay out of his novel, only to have the pro-fascist Louis B. Mayer purchase all rights to it, under the pretext of doing a movie in 1936; the movie censorship board, headed by the Wall Street asset, Will Hays, deemed the subject too controversial, and Mayer put the screenplay into a vault where it remains today.

The next day, the *Times* printed a flattering obituary, calling him "one of the most glamorous and gallant men who ever wore the uniform of the United States Marine Corps . . . a brave man and an able leader." The paper added that he was often a "storm center" and that "It was when he ventured into public affairs that his impetuosity led him into trouble."

President Roosevelt sent personal condolences to Butler's family: "I grieve to hear of Smedley's passing. . . . My heart goes out to you and the family in this great sorrow."

In 1971, former Speaker of the House John McCormack told Jules Archer that Roosevelt and the nation owed General Butler a debt of gratitude for his exposure of the Morgan plot:

"If General Butler had not been the patriot that he was, and if they [the plotters] had been able to maintain their secrecy, the plot certainly might very well have succeeded, having in mind the conditions existing at the time. . . . If the plotters had gotten rid of Roosevelt, there is no telling what might have taken place."

Conclusion: The Synarchist Conspiracy

Most investigators of this plot, including contemporaries, look at the evidence provided above, and brand the plot "Wall Street" in origin. But as we have indicated, the majority of the U.S. "players" and operatives, while having connections to the House of Morgan, etc., are also connected to powerful sections of British oligarchy, and with direct connection to the networks of international Synarchy, especially those France- and Belgium-based interests that were directly involved in the creation of the Hitler and Mussolini regimes. The "Morgan Coup Plot," as it was called then, was part of the same drive for fascism that produced the Hitler and Mussolini regimes, which is broader than "Wall Street" or even "British."

Just as with the drive for fascism today, behind it are the entirety of what LaRouche has called the "slime mold" of oligarchical financial interests, led by international Synarchy. Although Butler, and committee members like McCormack, and Spivak did not understand this principle, FDR, later given special intelligence from his operatives, had a deeper understanding of this enemy and the danger it represented, as well as its control of aspects of the U.S. economy through international cartel operations.

The coup plot was not defeated by mere exposure, though this played a crucial role. It was FDR, and his recovery program, coupled with this exposure—the "pitiless publicity" focussed on the financier conspirators—that defeated the plotters. Today, we have no FDR in the White House, and instead, find the Presidency in the clutches of the fascist conspirators and their henchmen like Dick Cheney; and we have the Congress, especially the Democratic opposition, manipulated by the fascist Felix Rohatyn. The leadership and program to defeat the coup must come from elsewhere: Lyndon LaRouche and his wing of the Democratic Party are the only chance this nation has for survival.

U.S. Senators Once Did Fight Fascism!

by Allen Douglas

We must never again leave it to cartels to manage independently our international economic affairs. It has been disastrous in the past; it would be catastrophic in the future.

—U.S. Sen. Harley M. Kilgore, reflecting on the findings of his 1945 Senate investigative committee's hearing on "Cartels and National Security."

Mr. Chairman, I want to say that the control achieved through the cartel system is as near feudalism as anything could be devised in these modern times of ours. It was feudalism in a new dress. The control was airtight.

—Testimony to the Kilgore Committee by U.S. Sen. Homer T. Bone, chairman of a 1941-42 Senate investigation of the cartels.

Those U.S. Senators who cannot muster the intestinal fortitude to call the fascist Felix Rohatyn a "fascist," would do well to examine the records of hearings which their predecessors held from 1938 to 1946. From the 1920s, and well into the early years of World War II, U.S. affiliates of Synarchist cartels and banks systematically assaulted the U.S. economy, with the same goal as at present—to establish a world fascist dictatorship. At that time, however, the Synarchists met fierce resistance, centered most publicly on hearings in the U.S. Senate, and flanked by investigations by other wings of the U.S. government. Senate committees relentlessly pursued the most powerful banks and corporations in the country, and charged them with aiding the Nazi war machine.

The Senate held two series of public hearings: a nine-part series in 1941-42 on cartel control of patents, chaired by Washington Democrat, Sen. Homer T. Bone (the Bone Committee), and a 16-part series in 1943-45 on hindrances to the war mobilization, by the Senate Sub-committee on Scientific and Technical Mobilization of the Committee on Military Affairs, chaired by West Virginia Democrat, Sen. Harley M. Kilgore (the Kilgore Committee).

A third set of hearings, in 1948-49, was chaired by Garland Ferguson, a member of the Federal Trade Commission. Established by the U.S. Army, these hearings found that the "basic policy of eliminating the cartels and big combines was sound," in the words of James Stewart Martin, a lawyer in the Antitrust Division of the Department of Justice. In the



West Virginia Sen. Harley Martin Kilgore (1893-1956) spearheaded the war mobilization, and documented the crimes of the cartels.

committee's own words, "this policy should have been, and should now be, energetically enforced." Committee chairman Ferguson hauled Dillon Read's Gen. William H. Draper—the chief saboteur of that policy—before the committee, at which point, the U.S. Army shut the hearings down. (Draper not only sabotaged the anti-cartelization of Germany, but went to Japan in 1948 to do the same thing against General MacArthur's efforts to decartelize there.)

The financier-directed cartels gave birth to the present "globalist" world order. However, their power was already enormous in the inter-war period, and those U.S. patriots who fought them then, had to put up with the same whining excuses we hear today about the "inevitability" of globalization. Fritz Machlup, the Alien and Custodian Property official, for instance, wrote in 1945, in "Cartel Policy for the United Nations":

Resistance against the international cartel movement is being discouraged as an unrealistic policy, a vain gesture of old-fashioned liberalism. "You can't turn the clock back." "We can't stem the tides of the future." "We must be realistic." Phrases like these are being used to discourage the "crusade" on behalf of the competitive system. It should be noted that the same slogans were used in foreign countries to intimidate people who believed in "old-fashioned" democracy and resisted the "trend" toward "the New Order."

Realism is not a substitute for reasoning. To plead "Let us be realistic" but not to offer the specific points which are to be included in one's logical reasoning is to confess mental insolvency.

Dr. Clifford Kiracofe, Jr., a former senior professional staff member of the U.S. Senate Committee on Foreign Relations, reviewed the Kilgore Committee's hearings some years



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Washington State
Sen. Homer T. Bone
(1883-1970)
relentlessly pursued
what he called the
“feudalism in a new
dress” of the
cartels.

ago, and recently observed, “They were devastating, and make all the recent ‘Who Financed Hitler’ books pale in comparison.” The Kilgore hearing transcripts total more than 2,000 pages, and this article is based on a preliminary review of the hearing documents, plus some of the numerous books and articles published in the 1940s by members of the Antitrust Division of the Department of Justice, headed by Thurman Arnold.

I shall cover here, Franklin Delano Roosevelt’s declaration of war on the cartels, some of Senator Kilgore’s actions against the cartels, and some examples of the Synarchist cartels’ sabotage of the U.S. war mobilization. I have let some of the main combatants in this war against the Synarchy tell the story in their own words, because it helps to bring alive the extraordinarily inspiring “mindset” of that era, so radically different from that of our own, Baby Boomer epoch. These were merely modest patriots fighting a grim war that they knew had to be fought, but they were titans, for exactly that reason, particularly by present standards.

FDR Declares War Against the Cartels

In 1938, with a new world war clearly on the horizon, U.S. President Franklin Delano Roosevelt “decided on a campaign against the cartel system,” as Thurman Arnold, the head of the Antitrust Division of his Justice Department, later wrote in his book, *Democracy and Free Enterprise*. That year, FDR asked Congress to authorize an investigation of the cartels’ hold over the U.S. economy. He warned that events in Europe

... retaught us two simple truths about the liberty of a democratic people. The first truth is, the liberty of democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger

than the democratic state itself. That, in its essence, is fascism—ownership of government by an individual, by a group, or by any other controlling private power. The second truth is that the liberty of a democracy is not safe, if its business system does not provide employment and produce and distribute goods in such a way to sustain an acceptable standard of living.

Moreover, said FDR, “the study should not be confined to the traditional antitrust field,” but has to be conducted so as to “stop the progress of collectivism in business.” In plain English, this meant: to investigate the U.S. arms of international cartels, and to break them up.

The Congress responded on June 16, 1938, with Resolution 113, which established a unique new institution, the Temporary National Economic Committee (TNEC). The TNEC consisted of 12 members, 3 each from the Senate and House of Representatives, and 1 each from the Departments of Justice, Treasury, Labor, Commerce, the Securities and Exchange Commission, and the Federal Trade Commission. It held its first hearing on Dec. 1, 1938, and it called numerous corporate leaders to testify. Within a short time, it produced 31 volumes, comprising 17,000 pages, and 3,300 “exhibits of technical matter.”

The TNEC’s findings brought the power of the cartels into the public domain for the first time in the United States since the “anti-trust” exposés of the late 19th Century, and its findings were shocking. They demonstrated, for instance, that these “international cartels” used patents “against the public interest” to “suppress or restrain the activity of other American citizens and American organizations,” such that, a “large proportion of all national savings and all national wealth have fallen under the control of a few organized enterprises” with extensive links abroad.

The TNEC provided preliminary, but already conclusive documentation that “great commercial organizations operating on a world-wide scale enter into combinations and agreements to divide territory, to suppress competition, and to exploit the public by the restriction of production and the maintenance of price.”

Antitrust Division head Thurman Arnold appeared before the committee and requested an emergency appropriation to expand his Antitrust Division. Investigations over the previous two years had convinced him that it were “probable that vital military information has been disclosed to foreign companies through the requirement of itemized descriptive royalty payments in patent license agreements.” His 1945 book, *Democracy and Free Enterprise*, summarized his intent:

[One of the] most important long-run objectives of the Antitrust Division, is to destroy the great international cartels which divided up foreign markets and restricted

production both at home and abroad prior to the war. These cartels were formed in a large number of our most basic industries. Germany was a party to the majority of them. Many of those which the Antitrust Division has discovered contain provisions that the cartel arrangements shall be immediately revived after the war.

During 1941-42, under the leadership of Senator Bone, known as the “Father of Public Power” in the Pacific Northwest, the Bone Committee on Patents deepened the Department of Justice/TNEC investigations in a nine-part series of hearings on the cartels’ use of patents to sabotage the U.S. war effort. In part because of the combined investigations, FDR established the Board of Economic Warfare (BEW), which included the Secretaries of State, War, Navy, Commerce, Treasury, and Agriculture; the Attorney General; the Coordinator of Inter-American Affairs; the Lend-Lease Administrator; and the head of the War Production Board. It was chaired by Vice President Henry Wallace. The BEW’s executive director, Milo Perkins, requested that the Department of Justice establish an Economic Warfare Section (EWS), which Arnold also headed. His staff member Edward H. Levi recruited James Stewart Martin, who soon became its head, and who later wrote *All Honorable Men*, about the Synarchist post-war sabotage of FDR’s anti-cartel policy.

In the midst of these investigations, probably to help derail them, Sen. Harry Truman, a Missouri Democrat, gave a ballyhooed speech in the Senate on Feb. 10, 1941, against “fraud and waste” in the war effort. Then he introduced Senate Resolution 71 to create an oversight committee on the subject. Although it passed the Senate Military Affairs Committee on which Truman sat, Sen. James F. Byrnes, the South Carolina Democrat who chaired the Senate’s committee on expenses, held it up, because it was so clearly aimed against FDR’s efforts. In the face of a similar, Republican-sponsored measure, Byrnes then had to let Truman’s bill through, and thus was established the Special Committee to Investigate the National Defense Program, known as the “Truman Committee.”

So omnipresent was the cartels’ sabotage of the U.S. war mobilization, that, whatever the motives of Truman or his controllers in establishing it—including building up Truman’s political profile for future assignments—his committee inevitably began to receive testimony on the subject. After Pearl Harbor, for instance, when the United States suddenly lost 98% of its natural rubber supplies (which had come from the now-Japanese dominated Southwest Pacific), Thurman Arnold told Truman’s committee that Nazi cartels and their U.S. partners were the “principal cause” of the U.S. rubber shortage:

Standard Oil of New Jersey desired a world monopoly

in oil and synthetic gasoline. I.G. Farben [of Germany] was interested in chemicals. Each wanted to be free from the competition of the other and also from independent competition. They therefore agreed that in the chemical field, which included synthetic rubber, I.G. Farben would have control. To implement that agreement, Standard Oil was to turn over any chemical processes to I.G. Farben, either the information or the patents, to any chemical processes which it discovered not directly connected with oil production. This included even the right to sell in the United States. In return, I.G. Farben agreed to turn over to Standard Oil any patents or discoveries which directly concerned oil production, including synthetic gasoline. Each company gave the other a world monopoly insofar as they were able to convey it.

An investigation of Standard Oil president William Stamps Farish was clearly leading toward the Wall Street circles who financed Hitler, among them Prescott Bush of Brown Brothers Harriman. Truman shut the hearings down. Anton Chaitkin reported in *George Bush: The Unauthorized Biography*, “On March 25, 1942, U.S. Assistant Attorney General Thurman Arnold announced that William Stamps Farish (grandfather of our current President’s money manager) had pled ‘no contest’ to charges of a criminal conspiracy with the Nazis.” (See *George Bush: The Unauthorized Biography*, by Anton Chaitkin and Webster Tarpley [Washington, D.C.: Executive Intelligence Review, 1991] for more on this. Farish’s grandson, the immensely wealthy, ultra-secretive William Stamps Farish, III, has been George W. Bush’s closest friend and sponsor for decades.)

The Kilgore Committee

Not all Senators were owned by the Synarchy, however. One patriot was West Virginia Sen. Harley M. Kilgore. Although apparently a friend of Truman, Kilgore helped to spearhead the U.S. war mobilization. Thus, in October 1942, the Senate appointed him to chair a subcommittee of the Military Affairs Committee on Scientific and Technological Mobilization. Already, he had sponsored a bill which was to help establish the Office of War Mobilization (by an FDR Executive Decree in May 1943). Deepening the work begun by the TNEC, the Kilgore Committee’s widely publicized, almost sensational 16-part hearings of 1943-45 shone a public spotlight on the cartels. Among many other things, the Committee documented the extensive cartel arrangements between Standard Oil and I.G. Farben.

Kilgore also hauled Standard Oil president Farish before his committee, to which Farish gave highly defensive testimony, including the preposterous claim that, “It is my own conclusion that the United States got far more from Germany [via the Farben/Standard Oil cartel] than Germany ever got

from us.” Moreover, said Farish, he would do it all over again:

We are human beings. In 1927, we could not foresee 1942. But I want to say to you gentlemen that if in 1927 and 1929 we could have read the future, if we could have known that the Japs would strike Pearl Harbor on Dec. 7, 1941, we would have been even more anxious than we were to sign those contracts to permit us to weave into technical knowledge and experience of the industries of our own country a large part of the technical advances of modern German science.

Military Intelligence conducted its own, extensive investigations, and compiled the “name, rank, and serial numbers” of virtually the entire Synarchist establishment in the United States, Europe, Japan, and Ibero-America, the latter with particular thoroughness. Many of their archives are now available, and, by the descriptions of their “finding aids,” hold a more detailed picture of the Synarchy than has previously come to light. Under the Churchill/Truman turn toward fascism, however, all of this damning evidence was swept aside, notwithstanding rearguard battles by U.S. patriots in official positions until about 1947, including the damning findings of the Ferguson Committee as late as 1948-49.

Collectively, these Senate hearings established that the financier-directed U.S. cartels wittingly attempted to prepare the defeat of the United States by the Axis powers in a war which all the insiders knew was inevitable, from at least 1933, but which had actually been planned already at the 1919 Versailles Conference.

Patriots in the U.S. Senate proposed measures to rip apart the Synarchy’s cartels, so that after the defeat of the Axis powers, no such a threat could ever again arise. As detailed in the Kilgore hearings, and in two books about Kilgore’s activities by Robert F. Maddox (*The Senatorial Career of Harley Martin Kilgore* and *The War Within World War II: The United States and International Cartels*), Kilgore was devoted to this cause from shortly after he first became a U.S. Senator in 1940, until his death in 1956.

In addition to his bill for an Office of War Mobilization in 1943, in the same year Kilgore drafted a bill mandating a *Mittelstand*-led, science-driver industrial mobilization after the war, which would shatter the Synarchy’s cartels, an approach which he and other Senators referred to as “traditional American economic methods,” as opposed to the alien, Europe-centered cartel apparatus. Kilgore was beset with intense opposition from the Synarchy and its stooges in the Senate and elsewhere, such that only a much more modest form of his proposal was finally enacted. This became the National Science Foundation, which he helped shepherd into existence as a post-war member of the Appropriations Committee.

The Senate hearings covered vital aspects of the war mobilization, including one entire hearing devoted to the seemingly humble, but vital issue of extending the life of civilian shoes (Feb. 8, 1944, “Increasing the Wear of Shoe Leather”). Because the best leather was appropriated to the armed forces, and ration coupons allotted only so many pairs per individual in a given period of time, if your shoes wore out before the allotted time (as often happened), you had a problem.

The first witness at the shoe hearing was an executive with the United Shoe Machinery Company, who, among his other qualifications, had spent eight years manufacturing women’s welts. Kilgore greeted him by congratulating him on his company’s technological breakthrough in the repair of shoe machinery, made not long before. In many hours with him and other shoe industry experts, Kilgore and his committee became intimately informed on the details of shoe manufacture. One theme which emerged, was the necessity of generalizing the practice of extending shoe life by 30-40%, by treating shoes with oil or hot wax.

German Cartelization

The extraordinary cartelization of Germany under Hitler began well before 1933, causing some of the principals in these investigations to attribute the cartel menace to the “German character.” The more thoughtful, however, emphasized that the problem was much wider than merely Germany. Robert P. Terrill, Assistant Chief of the Commodities Division of the State Department, was one who stressed this deeper reality. In his 1945 article, “Cartel Policy and International Security,” which recounted the cartels’ economic warfare, Terrill observed:

There is, however, one important caveat to be emphasized, namely, that the problem should not be identified or confused with the Nazi revolution and its consequences, even though the Nazis did derive benefits from such cartel arrangements. The background presented in the foregoing parts of this chapter should caution the reader against undue emphasis on the specifically German character of international cartels.

Terrill concluded by saying that the elimination even of all the “German” cartels “might create the illusion that international cartels had been eliminated and that future measures were unimportant or superfluous.”

Terrill’s article appeared in the 1945 book, *A Cartel Policy for the United Nations*, edited by Corwin D. Edwards, the chairman of the Policy Board of the Antitrust Division of the Department of Justice, and a close collaborator of Thurman Arnold. It was one of numerous books and articles on cartels edited or authored by Arnold and his associates to awaken the American public to the Synarchist menace.

Editorial

That Far-Away Look in His Eyes!

Since the beginning of Israel's attacks on Lebanon, it has become increasingly apparent to many relevant leading figures of the U.S.A. and abroad, that President George W. Bush, Jr. has gone over the edge. There is some debate over whether the President's expressed state of mind reflects his vision of Armageddon, or, in the alternative, the more earthly obsession with his administration's preparations for a pre-November-election "October Surprise." Whatever the "vision thing" in the President's rabid stare, there is no doubt among relevant, increasingly numerous, leading circles around Washington, D.C., that within the withering ranks of the Bush-Cheney inner circle, there is something about the President himself which echoes the last days of ancient Rome's Emperor Nero.

There should be no doubt that the President has been no better than a puppet since, according to George W. Bush's own account, he was picked to play the role of a virtual Nero, from the moments George P. Shultz and Billy Graham launched the poor, feckless dry drunk into the Oval Office. Although that President seems, at times, to be a virtual "Mortimer Snerd," as sly as a fox in a henhouse, he is better seen as a mental cripple like Nero. He has shown himself to be essentially a virtually "programmed" mere tool, a kind of political "Frankenstein's Monster," wholly unfit to occupy the high office into which he was planted, notably, by the same Shultz, the "economic hit-man," who, together with Felix Rohatyn, played a key part in shoving Augusto Pinochet into mass-murderous dictatorial power in 1970s Chile.

At the same time that the President's mental state is clear, we must never forget that he is essentially a puppet who is steered by elements of the the same financial network which launched Hitler upon Germany, and then the world. The world's financial system, and the government of the U.S.A. are presently under the control of the descendants, today, of the same financier circles which put Hitler into

power. The current developments, the threatened spread of global asymmetric war with nuclear arms included, out of the Southwest Asia cockpits, reflect an element of desperation among the financier circles behind the drive toward eliminating the institution of the sovereign nation-state world-wide, the new "Roman Empire" called "globalization."

For those financier circles, time is now running out. Unless they can establish their dictatorial power over the world's political systems now, the onrushing general financial collapse of the present world system as a whole, either dooms civilization, or creates the circumstances under which the crisis suddenly shifts popular and other opinion into the direction of a return to the policies of President Franklin D. Roosevelt.

It is not President Bush who is in control of Israel's currently national-suicidal mission in Southwest Asia. Bush and his Presidency are merely a puppet in the hands of the desperadoes behind the presently exploding system of so-called "hedge funds."

The world as a whole is composed of nations which, on the one hand, as in western and central Europe, are hopelessly bankrupt, or, like India and China, seemingly prospering economies which would be plunged into a financial abyss by the collapse of the Transatlantic system. Under the heat which these conditions are generating, it is not only the weak-brained President Bush who has gone "glassy-eyed" under the pressures generated chiefly by the present world financial breakdown-crisis. The Democratic Party, for example, which has abandoned the general welfare of our population, has departed Washington, D.C. to be received by that same lower eighty percentile of the U.S. population which it has just so flagrantly betrayed for the sake of a love-affair with the Synarchist relic known as Felix "The Enforcer" Rohatyn.

—Lyndon H. LaRouche, Jr.
August 5, 2006