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Will Cheney and Pelosi Be Partners in Mass Murder?  
Campaign 2008: The Rudy Bomb—Defused  
'Starting a Run on the Bank of a Bankrupt System'

**From Milken & Enron to  
Perugia: 'Extreme Events'**



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# EIR

## From the Assistant Managing Editor

The watchword for this week is: Expect the unexpected! We begin with Lyndon LaRouche's thought-provoking "From Milken & Enron to Perugia: 'Extreme Events'!" (*Feature*), in which LaRouche draws a parallel between the insanity expressed by U.S. Treasury Secretary Henry Paulson's "tragically impotent reaction to the fear of a general breakdown-crisis in the world's present monetary-financial system," and the gruesome fantasy world inhabited by the young video-game and MySpace/Spacebook addicts who committed the horrifying murders in Helsinki and Perugia. Only by approaching these events from a *dynamic*, rather than a formal/statistical standpoint can the truth be unearthed.

So too, for the 2008 Presidential campaign, in which, what you see and hear every day in the news media, is far from reality. Haven't you wondered how that loose cannon, Rudy Giuliani, rocketed to "front-runner" status among the GOP Presidential candidates? In "Campaign 2008: The Rudy Bomb—Defused" (*National*), Anton Chaitkin puts forward the startling, but compelling analysis that the Mafia-linked Rudy, who has more skeletons in his closet than the local undertaker, is but a stalking horse for the man who replaced him as mayor of New York, billionaire Michael Bloomberg.

Our *International* section this week leads with Jeffrey Steinberg's "Will Cheney and Pelosi Be Partners in Mass Murder?" Steinberg charges that House Speaker Nancy Pelosi, by demanding that the impeachment of Vice President Dick Cheney be taken "off the table," will have blood on her hands if and when Cheney succeeds in starting a war with Iran, a terrifying prospect that appears more likely every day. Yet, there is still time to impeach Cheney—the one and only means to stop war—as called for in Dennis Kucinich's resolution, now before the House Judiciary Committee.

On a more optimistic note, in the midst of the rapidly deteriorating situation in Southwest Asia, there are glimmers of hope: Syria's President Bashar Assad has offered an olive branch to the Israelis, which has been enthusiastically received by the general staff of the IDF (*International*). And a peace conference, to be held in Moscow, may be in the offing.

Over the next two weeks, we will produce a double issue, dated Dec. 7.



## Cover This Week

*A scene from the  
video-game  
“Manhunt 2”: a  
sign of our wicked  
and deadly times.*



### **4 From Milken & Enron to Perugia: ‘Extreme Events’!**

By Lyndon H. LaRouche, Jr. “There is an epoch-making quality of common historic thread, which ties together recent events typical of New York’s and London’s financial center, with both the Jokela High School massacre, and the very ugly death of a young English woman, in Perugia, Italy. All three of these and comparable signs of these, our present times, mark these reported events as sharing the characteristic of the events which a judge in Perugia reported, as driven by an ostensibly uncontrollable yearning for an ‘extreme’ quality of existentialist experience, by at least some among the surviving participants.”

### **14 The Ghoulani Files: How Rudy Served as Midwife to Greenspan’s ‘Wall of Money’ Policy**

## International

### **16 Will Cheney and Pelosi Be Partners in Mass Murder?**

The only reliable war-avoidance path for the United States is the impeachment of Cheney, before he launches war against Iran. Why, then, is Speaker of the House Nancy Pelosi standing in the way?

### **18 IAEA: Diplomacy Can Work—If Desired**

### **19 U.S.-Pakistani Army Conflict Intensifies**

### **22 Elections in Pakistan Would Be a Mistake**

An interview with Gen. Mirza Aslam Beg.

### **23 Cheney Wants War; IDF Wants Peace With Syria**

### **25 Schiller Institute’s Maglev Campaign Sets Debate in Danish Elections**

## National

### 28 Campaign 2008: The Rudy Bomb—Defused

Missing from the media portrait of “9/11 hero” and Republican Presidential “front-runner” Rudy Giuliani are his family mafia connections; his gangster-like assault on the poor as Mayor of New York City; his sabotage of the Firefighters on 9/11, and much more. As Rudy goes down, New York Mayor Michael Bloomberg is waiting in the wings.

### 32 The Republican-for-Roosevelt League

Franklin Roosevelt described the cooperation needed between the Executive and Congress to save the nation, in this campaign speech to Republicans on Nov. 3, 1932.

### 34 Congressional Closeup

## Departments

### 27 Report From Germany Cabinet Shakeup Is Not Enough

### 52 Banking Bring in the Undertaker

## Economics

### 36 ‘Starting a Run on the Bank of a Bankrupt System’

The net liquidation of U.S. treasuries and other securities by China, Japan, and London-controlled off-shore “banking centers” that reached record levels in August, continued in September, demonstrating that their massive support of the dollar has stopped. The only U.S. response has been a level of money printing reminiscent of Weimar Germany in 1923.

### 38 Bank of the South: A Huge Step Forward for Integration

A new regional financial institution, viewed as an alternative to the International Monetary Fund’s usurious policies, is to be established in South America in December.

### 39 LaRouche Rep Addresses Italian Entrepreneurs

### 41 States’ Budgets Blow as Housing and Credit Markets Crash

### 45 ‘Florida Land Bubble’ Collapse Returns

### 46 U.S. Nuclear Energy Program Review: Too Much Talk, Too Little Mission

### 49 Bertrand Russell’s Malthusian Wedge

### 50 Cost of Not Recycling May Be ‘Staggering’

An interview with Dennis Spurgeon.

### 53 Business Briefs

## The American Patriot

### 54 Rekindling the Spark of Liberty: Lafayette’s Visit to the United States, 1824-1825

As the United States approached the 50th birthday of the Declaration of Independence, the French military hero of the American Revolution, Marquis de Lafayette, made a triumphant return here, where he was welcomed and celebrated throughout the land.

### 61 Lafayette in Congress: Bids Farewell to America

### 63 Cooper, Poe, Lafayette, and the Cincinnati

## Interviews

### 22 Gen. Mirza Aslam Beg General Beg is a senior figure in the Pakistani military establishment, having taken over as the Chief of Army Staff after then-President Gen. Mohammed Zia ul-Haq was killed in an air crash in 1988.

### 50 Dennis Spurgeon Assistant Secretary for Nuclear Energy at the U.S. Department of Energy, Mr. Spurgeon also leads the DOE’s Global Nuclear Energy Partnership (GNEP).

## Editorial

### 64 No Excuses

FROM MILKEN & ENRON TO PERUGIA

## 'Extreme Events'!

by Lyndon H. LaRouche, Jr.

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*There is an epoch-making quality of common historic thread, which ties together recent events typical of New York's and London's financial center, with both the Jokela High School massacre, and the very ugly death of a young English woman, in Perugia, Italy. All three of these and comparable signs of these, our present times, mark these reported events as sharing the characteristic of the events which a judge in Perugia reported, as driven by an ostensibly uncontrollable yearning for an "extreme" quality of existentialist experience, by at least some among the surviving participants. These are experiences which, when combined, might be described as a kind of dionysian event expressing some particularly worrying characteristics of our presently onrushing, global "new dark age." All three of these, and many other, related kinds of extreme events, are, like Rupert Murdoch's MySpace and Microsoft's Facebook, or Microsoft's and others' killer computer games, all to be combined as signs typical of our wicked and deadly present times.*

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It would seem, therefore, that the awesome Erinyes of Ibykus's Corinth are descending upon our presently very wicked world!<sup>1</sup>

The time has come, now, as the Walrus said, for me to point to the eerie experience which had crept over me years ago, while my wife and I had been seated on a grassy slope, looking down, across the Arno, into the streets of Florence. I had suddenly realized that I had been seated in approximately the same place where author Giovanni Boccaccio of the *Decameron* had described himself as seated, while he, ac-

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1. Friedrich Schiller, "The Cranes of Ibykus," *Friedrich Schiller: Poet of Freedom* (New Benjamin Franklin House: New York, 1985).

ording to his literary account, had been viewing scenes from what he presented as typical of the earlier times leading into the depths of medieval Florence's experience of Europe's Fourteenth-Century New Dark Age.<sup>2</sup>

Therefore, you may now inform U.S. Treasury Secretary Henry Paulson among others, that that is a lesson which he should have learned.

What we have as now presented to us for our study, here, is a cluster of three recent acts, a set of acts which, as I shall show, expresses products typical of a relevant form of mass-insanity, a set of contemporary acts congruent in effect with that New Dark Age within which the real-life subject of Giovanni Boccaccio's *Decameron* was situated.

1. Foremost, is the mass-insanity expressed by U.S. Treasury Secretary Henry Paulson's flop, his tragically impotent reaction to fear, like that of a frightened rabbit, to what has been, in fact, the onrush of a general breakdown-crisis in the world's present monetary-financial system: a crisis which is already comparable in its implications to the period of the outbreak of medieval Europe's Fourteenth-Century New Dark Age.<sup>3</sup>

Paulson's case is not to be treated as if it were merely

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2. This work of Boccaccio's is to be read as echoing significant familiarity with Dante Alighieri's *Commedia*, that as an expression of what I have identified as *The Force of Tragedy* ("The Mask of Nancy Pelosi: The Force of Tragedy," *EIR*, Vol. 34, No. 44, Nov. 9, 2007). It would have been read so by the contemporary Florence readers of Boccaccio's account.

3. Was this Secretary Paulson's virtual "appointment in Samara," a fateful echo of what he had fled from, back in the days of the Nixon Administration's "Watergate" crew?



*The tragic folly of our time: U.S. Treasury Secretary Henry Paulson's fearful and foolish reaction to the collapse of the world's monetary-financial system; the grisly murder of a young Englishwoman in Perugia, Italy, allegedly by Amanda Knox ("Foxy Knoxy," shown here on her MySpace page, with a machine gun) and two accomplices; and Pekka-Eric Auvinen, the 18-year-old Finn who posted these images of himself on YouTube before killing seven people at Jokela High School, and then himself.*



some expression of a personal bit of insanity; it is an expression of a form of mass group-insanity shared among most of his political class. It is an expression of his participation, like that of helpless chaff carried by the surf: he is swept along by a tide of fully tragic mass-insanity, as the specific expression, and product, of a dynamic form of social, mass phenomenon. We have thus, in fact, a case of a tide of mass-insanity among both an entire political class and its virtual lackeys in current social-political life, rather than a merely individual behavior which might be seen as similar to certain other individual cases.

2. Similarly, the second case to be included here, is a *MySpace-, Facebook-related event*, what has been described by relevant law-enforcement officials, as the setting of what the evidence presents as a case for charges of the murder, in Perugia, Italy, of Meredith Kercher, a 21-year-old student from England.

It is not the guilt, or relative innocence of any among the participants in that grisly event which is at issue in our treatment of that case here; what is crucial for our purposes, is, as in many apparently similar cases, the circumstances in which the event is shown both to have occurred and have been reported. *It is the prevalent potential (e.g., threat) of*



*the dynamics expressed by the actual situation, which is crucial.*

3. Similarly, the third case is that of yet another ominous killing, which occurred as shootings at Jokela High School, about forty miles north of Finland's capital, Helsinki. The shooting was reported as perpetrated by an addicted video-shoot-and-kill-games fanatic, an 18-year-old student at that school. In this case, as in a similar, worse case of an habituated computer-games fanatic in Blacksburg, Virginia, we have, yet again, and again, and again, the homicidal rampage of yet another individual addicted to the form of insanity associated with *induced habituation to such computer games*, ended with the willful suicide of the perpetrator.

The essential details of each of these, the latter two grisly cases, are being reported massively, with a relatively high

degree of compelling verisimilitude, throughout much of the international press. The behavior of that press, itself, has become an integral part of the pattern of these reported events; however unwitting that press might be, it, itself, is a component, contributing element of the tragic situation overall, that as much for what it should do, but does not, as what it does.

Before returning to the case of the strange aberrations of Secretary Henry Paulson, continue, for now, to focus, briefly, upon the two cases of aberrant youth behavior itself.

The crucial common denominator of the evidence presented, is marked by its common ideology, the unifying factor of MySpace, Facebook, and mass-killer point-and-shoot games, as this is illustrated by the case of Facebook proprietor Microsoft. In any competent effort to understand the three exemplary cases identified above, we must always seek out a *dynamics* which subsumes each and all of the cases *systemically*, and that in a relevant, *dynamic* fashion.

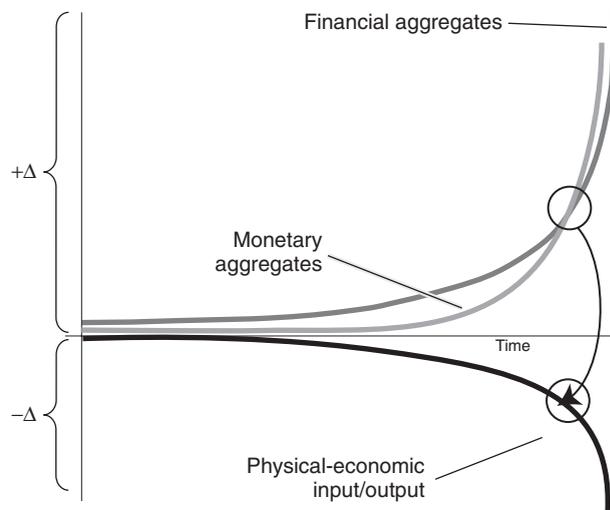
To grasp the significance of the interrelations among these and kindred phenomena, we must consider three matters. *First*, the form of social organization which provides the situation in which these developments occur. *Second*, the method by which such specific kinds of relevant effects are induced. *Thirdly*, the effects which those factors produce when they are situated in present general social and physical-economic conditions.

To illustrate that point: in two cases, the common denominator of Rupert Murdoch's MySpace and Microsoft's Facebook, on the one hand, and killer computer games on the other, the connections are immediately obvious. In all three cases, the common feature is, *first*, the *method of Sophist group behavior*; this is behavior closely related, as if genetically, to the sociology defined by the dominant role in today's society of *today's particular "Baby Boomer"* ("white collar, middle-class") *heritage*. These are, *second*, cases of a *radically existentialist behavior, behavior organized in defiance of the existence of a real world, as in that behavior organized in insular defiance of the existence of a real world*, in William Golding's 1954 *The Lord of the Flies*.<sup>4</sup> Such cases themselves express a well-known characteristic of such forms of group mass-insanity as both are expressed separately, and by *the same dynamic* in their combination, as the three referenced events of this set include an exemplary *third feature*, the present case of the clear consequences of Paulson's deadly folly.

For example, there is no competent basis for denying

4. "BBB": "British Baby Boomer" sociological type. Although the "Baby Boomer" syndrome was a form of Dionysiac existentialism introduced to the U.S.A., it was introduced by European channels centered in the figure of Brigadier John Rawlings Rees, the leader of post-World War I British psychological warfare operations, using channels centered upon the London Tavistock Clinic.

FIGURE 1  
The Collapse Reaches a Critical Point of Instability



*The combined effect of the radical changes in U.S. economic policy and practice introduced under the 1969-1981 U.S. Presidencies, produced a curve of accelerating decline in net U.S. physical output per capita and per square kilometer, but accompanied by a relatively accelerating rate of growth of monetary and financial emission, which, by its nature, must converge ultimately, if continued, on something like the 1923 Weimar hyperinflation. This is precisely that current state of affairs in which a predominantly fictitious mass of speculative financial-monetary assets is now collapsing catastrophically.*

that the kinds of killings recently experienced at Blacksburg, are the specific consequence of the promotion of killer computer games. However, not only are these games a massive source of post-Y-2000 revenue for such financially and politically powerful interests as the relevant Silicon Valley interests, but the development and promotion of the sale and use of these games is an expression and by-product of a vast financial empire of investment by military-industrial and related establishments, which are committed, as Vice-President Cheney is, to what is termed "a revolution in military affairs," associated not only with Vice-President Dick Cheney and such financier interests as those associated with George Shultz and Speaker Nancy Pelosi's close acquaintance Felix Rohatyn.

Therefore, since powerful special interests are behind the actions which cause the relevant effects, virtually nothing has been done, in net effect, to halt a rising incidence of slaughters such as that which occurred recently at Blacksburg, Virginia, and at Jokela High School most recently. The press is gener-

ally intimidated into lying by silence on the known facts of the matter, and our political establishment, as in the U.S. Congress, is fully as corrupted on this issue as our press, perhaps even more so.

This brings our attention back to the three propositions I identified above:

Now, consider Secretary Paulson's behavior itself from that standpoint. He is certainly not to be classed as an adult youth; but, he is involved in *the same genre of insane game of interdependent mass effects*. He appears in his role as performing, actually, a childish form of political game of monetary affairs,<sup>5</sup> often played today by adults who ought to have known better. Most important: it is a game played outside the proper rules of cause and effect in a real universe, a form of mass-insanity cohering nicely with Myron Scholes' emblematic 1998 role in the game of mass-insanity known as LTCM's forecasting: a mode of forecasting rooted in a radically reductionist form of monetarist dogma and practice which is, itself, not only a fantastic belief-system alien to the physical real world, but intrinsically existentialist in its sociological implications (**Figure 1**).

Then, consider the common characteristic of all three types of cases: *each case, and all combined, represent a specific, common form of mass-insanity* akin to that of the Flagellant hordes of the Fourteenth-Century European New Dark Age. Without understanding the axiomatic-like factor of mass-insanity steering these three successive phases of the process, the threat to civilization which this involves, would neither be recognized, nor solved.

## Zombies From Cyberspace

Begin this next stage of the report with the subject of the role of Secretary Paulson. It is the same characteristics of the Anglo-American trans-Atlantic financial community whose habits Henry Paulson brings with him to the position of U.S. Treasury Secretary, which are key to all of the causal factors which are responsible for the current outbreak, since late July 2007, of the general financial bankruptcy of the U.S.A.'s and other financial systems. This is the influence which underlies both the methodological insanity of, especially, the ever-worsening post-1987 international financial system, and, the sociological characteristics, including gambling manias, of Cyberspace looney-bins such as MySpace, Facebook, and killer modes in computer games.

A world economy dominated by such a monetary-financial system is inherently, like the Weimar bubble of 1923 created by Versailles Treaty conditions, a self-doomed system. As long as the inhabitant of the system might be enabled to believe that he, or she, has a real interest in maintaining the continuity of the system, a certain uneasy social stability may be maintained, if only temporarily, even

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5. E.g., the board game called "Monopoly."

though the system, if continued, will come to an early point of doom. In fact, often, this impulse to resort to denials, as Paulson has done, to evade the truth of the matter, has led, like Paulson's expressed stubbornness now, to bringing on the very catastrophe which could have been averted had the truth been accepted.

For a time, the relatively older adult generation clung to the dwindling relative advantages of the upper twenty percentile of family-income brackets; but, the majority among the younger adolescent and adult generations, being locked within a system which proffers it no credible future prospects, has become increasingly estranged. Now, over the course of the recent approximately ten months, all generations tend to reflect one or another kind of the political and moral effects of the resulting mostly widespread demoralization, the adolescent and young-adult generations (the adolescent most emphatically) more intensely.

It is not accidental that the current trends among the generation presently under thirty-five years of age reflect its experience of the changes which have occurred since the Spring of 2000, which is to say: about the time the U.S. government-sponsored Y2K bubble collapsed, when Al Gore was running for President, and Dick Cheney's patsy, George W. Bush, Jr., was about to be sworn in as U.S. President. The collapse of the bubble impelled the computer and related investments into a new direction, into the acceleration of production and marketing of computer and related technology which had been defined for the shift to "a revolution in military affairs," into a boom market represented by adolescent and young-adult war-game players.

Today, seven years later, Finland's functionally YouTube-related cyberspace killer, Pekka-Eric Auvinen, is 16 years old, Facebook cultists Meredith Kercher was 21, and Amanda Knox is 20, while Amanda's Italian boyfriend is 23. Veteran of the Nixon White House, Henry Paulson, who represents the same mathematical ideology for financial affairs as do relatively expert players of killer computer games, is U.S. Secretary of the Treasury.

Under these conditions, the lack of perceived significant resistance to this worsening state of affairs in society, prompts strong impulses toward what is, more or less popularly, called "alienation." Thus, the 2004 re-election of President George W. Bush was demoralizing; and the aggravation of the demoralization caused by the leadership of the U.S. Congress, from February 2006 onward, especially during 2007 to date, has engendered marked "pre-revolutionary conditions," especially among the adolescents and the young adults. The flight into the expressed rage of killer computer games, and the flight from life into cyberspace, produces, thus, the tendency for the convergence of the two. Call the result "Zombies in Cyberspace."

Add to this, a regard we should have shown for Secretary Paulson's indicated behavior as sharing certain features re-



Southwest Asian suicide bombers share certain mental characteristics with the crazed Secretary Paulson, as well as adolescents and young adults who are drawn into the virtual reality of MySpace, Facebook, and point-and-shoot video games. Here, a Palestinian suicide bomber prepares for an attack on Dec. 7, 2004.

lated—so to speak, “genetically”—to the not so well hidden, crucial characteristics of a Southwest Asian mass-suicide fanatic. We should also recognize that the types of adolescents and young adults drawn into the kinds of withdrawal from reality which the MySpace, Facebook, and killer-computer-game addicts alike, are exhibiting in common, their submission to pathological mental states akin to the actions of suicide-bombers from Southwest Asia.<sup>6</sup>

Psychologically, the denizen of Cyberspace, whether in MySpace or Facebook, or killer computer games, is being moved, bit by bit, toward a common residence in the contemporary equivalent of a Nazi Nuremberg rally, as the case of the kernel of neo-Nazi and Antifa warriors of today’s Germany should have reminded us. That tendency toward something equal to a fascist mass-phenomenon, could be turned around, but not as long as the folly echoed in the present case of Henry Paulson is allowed to continue.

See all this as a matter of dynamics.

## Human Dynamics

We must now shift the emphasis in our report, briefly, to crucially relevant matters of science.

Think of the difference between species of marsupials and mammals. Compare the range of varieties of species in a part of the Earth where, and when marsupials once prevailed,

6. See Peter Popham, “Murder in Perugia: Dangerous Games of the Facebook Generation,” *The Independent* (London, U.K.), Nov. 11, 2007.

and where mammals have largely displaced marsupials. Think of an area dominated by marsupials in dynamic, rather than mechanistic terms. Think of the slots which each species of marsupial occupies as corresponding to a category of the successful job-applicants for the role performed by that species. See mammal species, other than mankind, in a comparable way.

In a certain way, mankind’s existence changes the ordering principles among mammals as *mankind changes its potential relative population-density willfully, as no other mammal can*. Yet, the fact is, that man, despite his animal body, is not essentially a mammal; man changes his environment, and changes the nature of his behavior, as no regular mammal can do that. *That difference, as Academician V.I. Vernadsky defined it for physical science, is those developable creative potentials of the human individual which do not exist in any lower form of life than mankind*.

Vernadsky defined this difference scientifically, by placing mankind as a member of the phase-space known as the Noösphere, whereas mammals generally are members of the phase-space known as the Biosphere. The distinction lies in those *specific* creative powers in the human mind which do not exist in any lower form of life. Those changes in culture and related practice which are responsible for the rise, or decline of societies’ potential relative population-density, act integrally, in terms of unifying dynamics of the social/physical-economic process, as species of marsupials or mammals interact, within each, and among each, dynamically, as species-types.

Man, as a part of the Noösphere, is defined by those sovereign powers of the individual human mind, which generate the factors of change as the work of “discoveries,” or the like, of the individual human mind. These discoveries are not happenstances, but are limited to those types of discoveries which correspond to discovery of universal physical principle, such as Kepler’s uniquely original discovery of the principle of gravitation.

It is the fruit of *these powers, never present in any animal*, which has enabled the human species to reach a level of population of about six-and-a-half billions living persons.

The fluctuations in potential relative population-density are implicitly determined, primarily, by the degree to which the members of a society generate such uniquely human discoveries of principle, and also apply them. Thus, the maintenance of any given level of potential relative population-

density of any nation, or any part of society, depends upon the determining, functionally subsuming role of those creative powers. These are not the power to discover mechanical gimmicks, for example, but are expressed only as discoveries of universal physical principle comparable to Kepler's unique discovery of gravitation and Leibniz's uniquely original discovery of the principle of the infinitesimal, which had been prescribed by Kepler as a product of Kepler's uniquely original discovery of not merely the effect, but the principle of gravitation.<sup>7</sup>

Since human activity necessarily seems to deplete what had been previously considered essential resources for maintaining a certain quality, life-expectancy, and level of human existence, it is only through progress in ideas corresponding to discoveries of universal physical principles, that mankind is enabled to sustain a presently given level of habitation (potential relative population-density) as it were indefinitely, or to improve mankind's potential relative population-density.

Not only is it essential that society maintain progress in respect to continuing discovery of fundamental physical principles, but to enjoy the benefit of existing such discoveries, we must employ them to mankind's advancement. Exemplary is the role of applied discoveries of universal physical principles, when applied to society's practice, in making possible an increase of the potential relative population-density of the human species. The ration of the total population engaged in such employment will then control the way in which societies' increase or decrease of potential relative population-density occurs. Whether this kind of improvement occurs, or whether it might be reversed, as through the influence of those malicious fellows called "Malthusians," not only determines the practical conditions for improvement of the human condition; but, a reversal of science-driven, relatively capital-intensive progress, has a destructive effect on the relative mental health of both the individual member of society, and the society as a whole.

The generation among us now between fourteen and thirty-five years of age, is experiencing the effects of a deep depression of the potential relative population-density of the U.S. population (per capita and per square kilometer) relative to the level represented on the day President John F. Kennedy was shot down. For example, at the time the U.S. manned landing on the Moon had occurred, the U.S.A. had already begun to lose some of the working science and technology which had been essential to that Moon-shot!

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7. This role of uniquely human creativity, as typified by Kepler's uniquely original discovery of the principle of Solar gravitation, is a quality of action in the universe which is unknown to reductionists such as the ancient and modern followers of Euclid, or the modern empiricist. The philosophical reductionist resorts to the description of the effect of a principle, as in the form of mathematical formulas, rather than cognition of the relevant act of discovery itself.

While some fat fools believe themselves made mightily richer by physical-economic trends of the recent forty-odd years, the actually sustainable potential population-density of the populations of both the U.S.A. and western and central Europe has collapsed, at a generally increasing rate of collapse, since about 1967-1968.

In the case of such calamities, as we should recognize this in the patterns of decline of the U.S. economy since the

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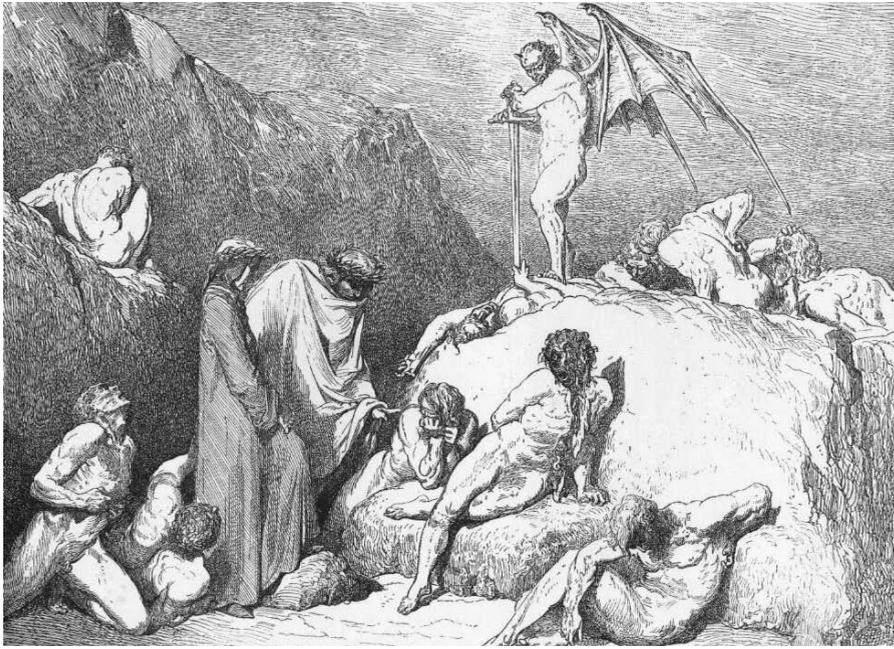
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cultural paradigm-shift of 1968-1971, the change for the worse appears first as a lowering of *potential* relative population-density; the decline which is engendered by that lowering of *potential* will be reflected "statistically" later, over the course of subsequent decades, as is manifest in the situation of the U.S.A. and other nations today. Thus, as in the case of the U.S.A. today, the leading institutions and populations react too late to recognize the folly intrinsic to what they foolishly consider an immediate period's successful change in policy. This point is crucial for understanding the intrinsic incompetence of the generality of U.S. private and governmental forecasters over the recent forty years.

Thus, the physical potential relative population-density of the U.S. in terms of net U.S. margins of physical output, has been in an accelerating rate of collapse over the period since the calamitous inauguration of Richard M. Nixon, but the corresponding relative mental potential of the U.S. population has also collapsed disastrously. Worst of all, our present population is less capable of serious thinking, and by that standard much more poorly educated than that of the time President Kennedy was shot.

This kind of relatively temporary or long-term decadence of national cultures, is commonplace in retrospective views of relatively longer intervals in known history. The effect of such decadence, is invariably a corresponding increase of ugliness of the souls of the typical member of society, as



*Schismatics, heretics, and scandal-mongers in Dante's Inferno: Their limbs are severed or maimed. The effect of cultural decadence, writes LaRouche, "is invariably a corresponding increase of ugliness of the souls of the typical member of society," as Dante emphasized. Etching by Gustav Doré.*

Dante Alighieri emphasized this consideration in his *Commedia*, and Boccaccio in his *Decameron*.

The conditions of the combination of World War I and the rise of German fascism, and similar effects in other nations, were such a period of decline, from which the initiative of our President Franklin Roosevelt rescued mankind for a certain time. We are now, I repeat, in the fourth decade or longer of a steeply accelerating physical-economic and moral, intrinsic decline in trans-Atlantic culture.

This decline did not generate, as if mechanically, the terrible decadence reflected by the "extreme events" considered in this present report; but, it did foster the preconditions for such awful moral and intellectual demoralization and decadence.

### Permanent Revolution, Permanent War

This connection should be quickly recognized in close study of the already extensive sample of evidence of withdrawal from social reality, into "virtual space," which is the trend, among other addictions, to habits like U.S. cases ranging from the "genetically" kindred MySpace, Facebook, into the homicidal maelstrom of computer games.

In my view of *anomie*, which differs in some crucial respects from that of Durkheim et al., the cause for *anomie* is expressed in the domain of more or less schizophrenic expressions of *ontological nominalism*, as schizophrenia has been recognized by relevant specialists as expressed by certain formalized uses of language. I refer to cases like the use of certain phrases as if they were, ontologically, "magic

spells," or the like, in which the object of the term, or phrase does not correspond to the real-life role of man's interaction with the real world, but, rather a game which has no systemic correspondence to the life of the real world, but is presumed to operate through magical (e.g., schizophrenic) powers of symbol-mindedness.

Gambling manias are, presently, an extremely significant expression of mass insanity of this type. Indeed, the present financial systems of Europe and the Americas are, predominantly, not practiced as economies, but as lunatic "the magic of the marketplace" gambling systems which have become a dominant feature of the mass-insanity of the majority of our population at all income-levels. Wealth measured in terms of gambling successes, is the form of mass-insanity which has done the most to prompt our population to accept the lunatic changes in policies of national economic and related practice since the U.S. Nixon Administration's installation.

practice since the U.S. Nixon Administration's installation.

Extreme forms of reductionism ("symbolism" as a substitute for reality), are an example of such pathetic mental behavior. The characteristic "ideology" of MySpace and Facebook, or relevant "computer games," expresses that pathetic kind of relative schizophrenia: flight from an abhorred experience of reality, like an enraged Rumpelstiltskin, tearing himself apart (suicide!) out of rage against the futilities of those impossible dreams called infantile fairy tales.

However, statistical economics of so-called "information theory," like that of Bertrand Russell devotees Professor Norbert Wiener and John von Neumann, or the methodology of the devotees of the mystic Ernst Mach generally, share the same formally mathematical pro-schizophrenic features.<sup>8</sup> Witness the introduction of the radically nominalist views of the types of Wiener and von Neumann to the subject of economic processes. That same type of pathology is specific to

8. Norbert Wiener, *Cybernetics* (New York: John Wiley, 1948), and *The Human Use of Human Beings; Cybernetics and Society* (Boston: Houghton Mifflin, 1954); or John von Neumann, *The Computer and the Brain*, (New Haven: Yale University Press, 1958), with Oskar Morgenstern, *The Theory of Games & Economic Behavior*, 3rd edition (Princeton, N.J.: Princeton University Press, 1953). Both Wiener and von Neumann were devotees of Bertrand Russell, especially Russell's *Principia Mathematica*, Alfred N. Whitehead and Bertrand Russell, *Principia Mathematica* (Cambridge: Cambridge University Press, 1994, reprint of 1927 edition), and both were expelled, at different times, from Göttingen University by David Hilbert on well-founded charges of persistent incompetence, and, in the case of von Neumann, on the nastier charge, of plagiarism, as well.

the causes for the presently crashing world monetary-financial system.

So, the typical big-time financial player in globalization, is undergoing what is “genetically” the same socio-logical effects of alienation, as *anomie* was described by France’s Emile Durkheim and his followers. The treatment of the subject of children’s games among the Franco-Swiss followers of Durkheim, is relevant for study on this account.

Unless we change our present ways, we are, in fact, on the verge of experiencing, as within the Americas and western and central Europe, the same problem of mass-suicide mixed with terrorist aggressions, used as a weapon of warfare, as a method of combat in civil strife, a method of “terrorism,” including suicide, as at Blacksburg and Jokela, which we profess to abhor in Southwest Asia. That will be the case for us, here in the U.S.A. and elsewhere, too, unless we make, not mere palliatives as “reform,” but relevant kinds of systemic changes in our general forms of social and related policy at home, now.

In that sense, the prevalent trend in taught and practiced shaping of national and international economic policies since the inauguration of U.S. President Richard Nixon, has placed increasing emphasis for today’s policy-shaping, on the matter of the destruction of an economy which had been based on the American System’s traditional emphasis on growth in net physical production per capita and per square kilometer; we require a dramatic shift, away from the presumptions, like those associated with the Nixon Administration’s wrecking of our economy, that the symbolic value associated with nominal monetary and financial wealth is the scale for measurement of both moral and physical values.

What I have presented as what the three indicated examples of ruin typify, is not simply a spontaneous sort of social mass-phenomenon. It is a correlative of a more than a century-long, complex process of pathological change affecting trends in Anglo-American military policy in particular, a change whose effects were already clearly implicit, even decades ago, even earlier than the lunatic plunge of the U.S.A. into Indo-China, in the reaction of certain forces to the 1945-1946 emergence of the threatened, Anglo-American use of nuclear weapons as characteristics of warfare.

Thus far, the most notable recent result of that change, has



*A statue of Giovanni Boccaccio (1313-1375) in Florence. The poet’s Decameron presents stories that typify the period of Europe’s 14th-Century New Dark Age.*

been what has become known as a “revolution in military affairs,” a form of moral degeneracy associated with such current advocates of this as George Shultz, Vice-President Cheney, and Middlebury College’s Felix Rohatyn, a strategy which is also to be recognized as comparable, in some circumstantial features, to a very special approach to what traditional Soviet military-strategic practice named, and practiced, as “asymmetric warfare.” It was also, most emphatically, the doctrine of several works of Samuel P. Huntington, including his *The Soldier and the State* and his *Clash of Civilizations*, a dogma which is also to be associated with the policies of practice facilitated under George Shultz’s and Felix Rohatyn’s backing for Chile’s Pinochet, in the Nazi-like methods applied, during the Nixon Presidency’s period, in the Southern Cone of the Americas.

It is a practice now running at full tilt under former Defense Secretary and current Vice-President Dick Cheney in Southwest Asia, where subjects of the Bush Administration’s tyranny, as in the U.S. Congress, have consented to continue the game of global doom which a worse than

silly, current policy of the Bush-Cheney Administration has been playing, since that administration used the pretext of the “9/11” incident for unleashing the wave of mass-insanity which has dominated the Administration and most of the U.S. Congress and press since that orchestrated 9/11 event.

### **Russell as a Grand Inquisitor**

To understand the policies of Britain’s Prime Minister Tony Blair and of the Bush-Cheney Administration throughout the 2001-2007 interval, we must look back to the roots of that current mass-insanity in the crafting of these long-range policies in the British Empire’s so-called geopolitical aims, back during the course of the Twentieth Century, especially to those around the British circles of H.G. Wells, Lucifer-worshipper (Lucis cult) Aleister Crowley, and Bertrand Russell.

It is the reflection of precisely that ideology which we are meeting today in the phenomena of MySpace, Facebook, and killer computer games. What you are seeing in the *anomie* of MySpace, Facebook, and killer computer games, is the *anomie* expressed in the existence of its fresh-hatched, if already

## The Atomic Bomb and the Prevention of War

Mr. Russell in transmitting this manuscript wrote us an interesting note indicating that it had been refused by five American periodicals of wide circulation. (It has appeared in the English journal *POLEMIC*.) In offering it to the *Bulletin*—which he reads “with interest and attention”—Mr. Russell trusted us to cut it if necessary without distorting his views.

We publish the article in full in the belief that Mr. Russell automatically deserves an American audience and that the *Bulletin* reader is sufficiently discriminating to profit from articles which he does not necessarily endorse.

### THE IMPACT OF ATOMIC WAR

The atomic bomb has set a problem to mankind which must be solved if any tolerable existence is to be possible for the human race. The problem is that of abolishing large-scale war, not at some distant future date, but quickly, before there has been time for another vast conflict to break out.

If the next great war were to occur

ington, Chicago, of population 100,000,000, and the diabolic alchemy of the United States, including the atomic bomb will be boy. It is a matter of government is a survivors will of price, while others they would rather foul a blow. If the atomic bombs have been used, probably the there will be further drawn into the future until disorganization makes the further manufacture of atomic bombs impossible. If one side succeeds first in this aim, it may consider that it has won a victory, but it will be a “victory” far more disastrous to the “victor” than any defeat known to history.

### THE COST OF “PREPAREDNESS”



Bertrand Russell

### PERMANENT PREVENTION

It is very clear that there is only one way in which great wars can be prevented, and that is the establishment of an international government with a monopoly of serious armed force. The only alternative is a sham façade like the League of Nations under its present constitution. An international government, if it is able to preserve peace, will be the only atomic bombs, the only way of producing them, the only way of destroying battleships, and, generally, whatever is necessary to make it irresistible. Its atomic staff, its air squadrons, the crews of its battleships, and its infantry regiments must each severally be composed of men of many different nations; there must be no possibility of the development of national feeling in any unit larger than a company. Every member of the international armed force should be carefully trained in loyalty to the in-

Bertrand Russell's infamous call for nuclear war against the Soviet Union was published in *The Bulletin of the Atomic Scientists*, Oct. 1, 1946. If war were to take place soon, before Russia gains nuclear weapons, he wrote, America would surely win, “and American victory would no doubt lead to a world government under the hegemony of the United States—a result which, for my part, I should welcome with enthusiasm.” As for a UN agreement to establish one world government, “If Russia acquiesced willingly, all would be well. If not, it would be necessary to bring pressure to bear, even to the extent of risking war, for in that case it is pretty certain that Russia would agree. If Russia does not agree to join in forming an international government, there will be war sooner or later; it is therefore wise to use any degree of pressure that may be necessary.”

smelly egg. The mature specimen will be a much more seriously evil proposition, if we allow it to mature as a force within society.

The same qualities of a mass-criminal mind now shared among Shultz, Rohatyn, et al. were also expressed, and that most significantly, earlier, as the vision of H.G. Wells' *The Shape of Things To Come*. It was the same policy-paradigm as that of the Bertrand Russell who was crucial in shaping the policy behind the otherwise militarily absurd nuclear bombing of Hiroshima and Nagasaki. This was the Russell who was the overt proponent, as in September 1946, of the launching of “preventive nuclear warfare” against the Soviet Union. Russell, at least the most damnably influential among the literally Satanic figures of his century, was a notable, and probably the most evil such personage of the Twentieth Century; but, as Satan is a fool in the end, Russell, was, also, a kind of silly fellow, and science incompetent, over-confident that the Soviet Union could not develop a timely nuclear weapons competence of its own.<sup>9</sup>

9. The key to the Soviet development of a nuclear arsenal much earlier than the Anglo-American co-thinkers of Russell had hoped feasible, was a Soviet scientific capability typified by one of the greatest scientific polymaths of the Twentieth Century, Academician V.I. Vernadsky. However, as Russell himself put it, he never regretted his campaign for “preventive nuclear” assaults

What Wells, Crowley, and Russell expressed was the outgrowth of a policy of practice commonly expressed by the British Empire since 1763, as in the use of private armies of the British East India Company, and its successors, in India and in western and Central Asia. This has been the precedent for the operations run as their games, to the present day, as in Tony Blair-style extensions of the intentions and practices of the same Sykes-Picot Treaty, now being expressed anew, today, in the London-orchestrated and Speaker Nancy Pelosi's recently attempted favor to London, to employ its controlled assets among Kurds to blow up the entirety of the region now.

Russell's case is to be emphasized as being of crucial, clinical relevance in studying the unifying characteristics of the three cases of tragic folly referenced at the opening of this report: Paulson's folly in reaction to the already onrushing collapse of the world's present monetary-financial system, and the

subjects of the Perugia killing and the Jokela High School shooting.

### Paulson: Lunacy as Economy

Consider the young adults and adolescents who are being drawn into the un-world, “alternative, virtual space” of “Lord of the Flies” models such as MySpace, Facebook, and acquired mad-killer mental habits of point-and-shoot computer games. The victims of those induced delusions have fled from reality in hordes, like legendary lemmings; they are currently fleeing, further and further away from the real world, into the characteristically infantile strain of emotional, judgmental state of mind associated with emotional membership in a synthetic, non-existent world, like that of “Star Wars,” “The Lord of the Rings,” “Harry Potter,” and the like. What we witness in the victims of these cults, is a special kind of what is fairly labeled “mass-schizophrenia as a social phenomenon.”

The dupes of this modern dionysianism are the mass of the rat-pack-like dionysian followers of Friedrich Nietzsche, and are Nietzsche's Nazi devotees in the slightly different cultural world of today.

on the Soviet Union, to, as Russell stated: pummel it into submission to world government, or, in other words “world government,” or “globalization” today.

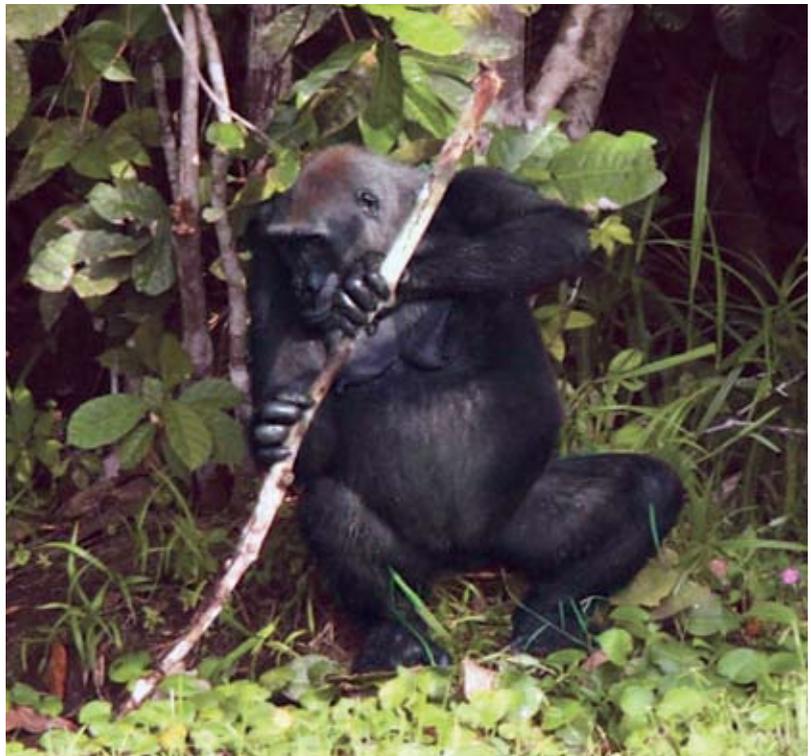
The tendency produced by such mass-delusional habits of practice as those of the associates of such groups as both the neo-Nazi and Antifa cults of Germany today, is the kind of mind we might associate with a very clever, but thoroughly insane pack of fanatically aggressive rhesus monkeys, or the very dangerous creature, with matching sexual behavior akin to that reported from Perugia, represented by an even much cleverer adult male baboon or chimpanzee.

The expressed “cleverness” of such ape-like, or virtually schizophrenic human creatures, is that they may develop advanced technical skills in manipulation of symbols, but appear to have virtually lost the quality of cognitive insight into the actually dynamic arrangement of cause and effect in the real world.

We are thus confronted now with a certain special sort of product of this same type of group-sociopathology, in the instance of the role of symbol-minded pseudo-economists such as the Myron Scholes of LTCM notoriety. The outstanding fact of that matter, is that Scholes and like professionals appear to have learned much less than nothing from the experience of the catastrophe they orchestrated through the forecasting methods which they had employed in creating what became known as the 1998 LTCM case. In the more recent trends in the forecasting behavior of such types, since the experience of 1997-1998, they have gone much further in their “mathematical models,” with the result that hedge-fund practices, and kindred pestilences, have converged on what are more “perfected” mathematical versions of the same lunacies which produced the 1998 crisis.

Now, extend this picture to include the membership of Secretary Paulson in a psychopathological delusion of a financial group formation riddled with the influence of the same underlying sociopathic characteristics. Today’s nominal assets, representing claims which had become more ferocious in their expression than that of the baboon defending his baobab nuts, is demanding full payment for income which was never actually earned in any real-universe sense of assets, and demanding that each other be paid in full, or as nearly so as might be imagined.

Such a mentally deranged person had merely calculated that he had earned a profit, when there had been no net increase in other than purely symbolic, relatively content-free forms of presumed gains in amounts of what are, under relevant U.S. constitutional law, counterfeited financial utterings. These delusory “earnings” might be expressed as of the type of “*My accountant will warn you, that you can show the sum indicated by my check to you on your balance-sheet, on condition that you never attempt to actually cash that check.*”



T. Breuer, M. Ndoundou-Hockemba, V. Fishlock

*The expressed “cleverness” of ape-like, or virtually schizophrenic human creatures, “is that they may develop advanced technical skills in manipulation of symbols, but appear to have virtually lost the quality of cognitive insight into the actually dynamic arrangement of cause and effect in the real world.” Here, although a gorilla exhibits primitive tool use, he will never make it to the Noösphere.*

Then, the day arrived, when the speculators in fraudulent utterances presented their fraudulent checks for payment: *Ka-Boom!*

Now, the entire world system has entered, recently, into a chain-reaction collapse of the world’s financial-monetary system, through what has become, since the pre-October 1987 days of Michael Milken, a mutation of the same infectious practice of fraud, which is expressed in the form of a frenzied orgy of ferociously competing attempts to cash fraudulently uttered equivalents of checks. The equivalent zoo’s adult-male rhesus-type financial monkeys have gone absolutely mad.

We live in a world in which we sense that “Almost everyone among our wealthiest is doing it.”

The systemic effect of such types of habituation, is a diseased moral and formal-intellectual state of mind which echoes the criminalized state of mind which impelled Pericles’ Athens into its Peloponnesian War. Athens never regained, to the present day, what it had lost through that folly, then. We, fortunately, have inherited the advantage of the greatness which the tradition of Solon of Athens expressed as the heritage of the Pythagoreans and Plato’s other circles.

It must be an advantage we are resolved to use.

# How Rudy Served as Midwife to Greenspan's 'Wall of Money' Policy

by Harley Schlanger

In the 1980s, the ambitious Rudy Giuliani built his reputation as a tough fighter in several high-profile prosecutions of New York City mob figures. However, it was his prosecution of Michael Milken, and his role in bringing down Drexel Burnham, Milken's junk bond fiefdom, which gave him an image as the protector of the people, who was looking out for the interests of the "little guy," against the newly rich predators of Wall Street, during the "era of greed."

The reality is quite different. Just as Rudy is really not a great counter-terror figure, his reputation as the defender of the little people against Wall Street is a fraud. In fact, his work on Wall Street served the purposes of the old establishment, in that he enabled them to dump Milken and Drexel Burnham, which had outlived their usefulness by 1987, and move on to the next phase of post-industrial, deregulated, free-market policies, under Federal Reserve chairman Alan Greenspan.

(How Drexel Burnham was used in the 1980s, under Michael Milken, is paralleled almost precisely by the role Enron played in the 1990s. Both served as battering rams against the old rules and the old order, then were put out of business, while the rule changes that led to their rapid growth, and transformed the way "business" was done, were kept in place, as the new paradigm.)

## Rudy's 'Damascus Road' Conversion

When Rudy served as Associate Attorney General in the Reagan Administration, he expressed contempt for the prosecution of "white-collar" crimes, which he considered to be "anti-business." He said of such prosecutions under the Carter Administration, "The previous administration had one priority, and that was white-collar crime. I think there was almost a McCarthyism to it." He accused the U.S. Attorneys who were appointed by Carter of being "zealots rather than prosecutors." In June 1983, he was appointed U.S. Attorney for the Southern District of New York. After several lackluster years, he jumped on an insider trading scandal, to reinvent himself as an anti-corruption crusader.

The change occurred when Dennis Levine, managing director of Drexel Burnham Lambert, was arrested in May 1986, and charged with insider trading. Though Giuliani

had nothing to do with making the case against Levine, he tried to take credit for it, proclaiming that he would use his office to clean up insider trading. His first big target was Ivan Boesky, an arbitrageur who was a financial hit man for Michael Milken—i.e., Milken would use Boesky in targeting companies for takeovers. Boesky's stock purchases, usually funded by Milken and his gang of slightly laundered money men for organized crime operations, would be used as a probe, to see if a company could be "put in play." Boesky was a criminal-prosecution-waiting-to-happen, as one writer later described him. In September 1986, using evidence provided by Levine, Rudy deployed a task force to go after Boesky. The SEC was already preparing a case against him. (At that time, Rudy was personally engaged in the political corruption trial of former Bronx Democratic Party leader Stanley Friedman.)

On Sept. 17, 1986, Boesky reached a settlement with the SEC. The criminal case was under the direction of Rudy's assistant, Charles Carberry, who met with lawyers at the offices of Fried, Frank, to negotiate a plea. On Nov. 14, 1986, Rudy went public with the plea agreement made with Boesky, who had agreed to be a government informant against Milken and Drexel. In February 1987, Rudy staged high-profile arrests of three top arbitrageurs, two from Kidder Peabody and one from Goldman Sachs. These were embarrassing for the firms, as the corporate officials were seen on the evening news being led out in handcuffs. Ultimately, these arrests turned out to be embarrassing for Rudy as well, as he had a difficult time getting the officials to agree to plea-bargain.

## Targetting Drexel Burnham

Milken and Drexel were still flying high, doing huge deals, including high-profile corporate takeovers. Milken told his gang of insiders at his annual Predator's Ball, that they now had access to large enough sums to take over any corporation, even General Motors, if they wanted. The keys to Milken's operation were 1) access to large amounts of cash; 2) a deregulated banking climate, which included changes for Wall Street. One of the most significant of these was a ruling which allowed interest on the debt incurred in financing hostile takeovers to be taken as tax deductions—i.e., to use debt

to lessen tax liabilities. Drexel had been one of the leading firms in lobbying for this deduction.

This ruling was a critical component in ensuring the flood of funds available for takeovers, as debt was no longer seen as a problem. In addition to his argument that high-yield bonds—so-called junk bonds—were really “fallen angels,” and a good risk, the idea that debt is now an asset and not a liability was furthered by the Drexel/Milken operations.

Older firms now wanted to get in on the enormous profitability of the mergers and acquisitions (M&A) and leveraged buyout (LBO) deals. The Boesky case gave them an opportunity to bring down Milken and Drexel. The SEC, on Sept. 7, 1988, filed a lawsuit against Drexel, alleging that it was engaged in insider trading, and naming Milken as one of those under investigation.

Rudy immediately came charging in behind them. By December, he threatened to use RICO (Racketeer Influenced and Corrupt Organizations Act) charges against Drexel, unless they agreed to a plea bargain. They were reluctant. Rudy then used a trump card. In August 1988, he had used RICO charges against a Wall Street firm for the first time, in the Aug. 4, 1988 indictment of Princeton/Newport, a firm with ties to Milken. Princeton/Newport was essentially a hedge fund, using computer models to place bets. Rudy ordered a raid on its corporate offices, by 50 Federal agents, with bullet-proof vests and armed with automatic weapons. The raid shocked the company, and its investors, who pulled out their funds, leading Princeton/Newport to liquidate in December 1988. Rudy’s assistant, Bruce Blair, reportedly told attorneys from Princeton/Newport that his office was not really interested in them, “but Princeton/Newport can help us with Drexel Burnham.”

The threat that Drexel would be given the same treatment convinced its board members to capitulate, rather than face a racketeering indictment. On Dec. 21, 1988, Drexel pled guilty to six felony counts, and paid a \$650 million fine. In return, Rudy dropped his pursuit of the RICO charges.

Throughout this period, there was a grand jury investigation, hearing evidence against Milken. Once Drexel had folded, Rudy again escalated. On March 29, 1989, the grand jury returned a 98-count indictment against Milken. Rudy proceeded to conduct a trial by press, in the attempt to get Milken to accept a plea. On Feb. 13, 1990, Drexel filed for bankruptcy. Rudy continued to escalate against Milken. He threatened to indict his younger brother. He leaked material to Laurie Cohen, a *Wall Street Journal* reporter, who wrote 18 stories about the prosecution case, full of false information and bluster from Rudy, including a story that he was planning to go for a superseding indictment with 160-180 counts. On April 24, 1990, Milken pled guilty to six counts.

## Greenspan Steps In

While the Rudy versus Drexel/Milken battle was raging, two significant events occurred, which were part of

the broader context.

First, was Black Monday, Oct. 19, 1987. In early October, the Dow Jones Average crossed over the 2,700 level for the first time, driven in large part by the speculative stock bubble fueled by Milken’s takeover operations, in which corporate stock was purchased by hostile “raiders” at prices far above the stocks’ listing. In reaction to this, there were rumors, first reported in the financial press on Oct. 14, that Congress might initiate legislation to limit the deductibility of interest incurred in these takeovers. This was a major disincentive for takeovers, and these rumors were blamed for cooling the takeover craze.

The Dow fell 100 points on Oct. 15, then another 100 on Oct. 16. The market then crashed on Monday, Oct. 19, just as Greenspan was taking over as chairman of the Federal Reserve. Greenspan reacted to Black Monday by opening the Fed, and pouring out money to Wall Street. This led to a renewed frenzy in M&A and LBOs, creating a new stock bubble, as records in M&A activity were set in the beginning of 1988, with Drexel continuing to be a key player—at least, until September.

The second major event was the takeover of Nabisco by the RJ Reynolds Tobacco Co., creating RJR Nabisco. When the smoke cleared on this LBO, the cost was more than \$25 billion, and the stock of RJR had gone from approximately \$35/share to more than \$110. The takeover fight raged on in October and November of 1988, spilling over into early 1989—as the takedown of Drexel Burnham was proceeding.

The deal was closed on Feb. 9, 1989, with a cash payout of \$18.9 billion. According to Burrough and Helyar in their book on this fiasco, *Barbarians at the Gates*, the “Federal Reserve couldn’t wire money in amounts over \$1 billion. . . . The flow was so big [to complete the takeover,] it made the U.S. money-supply statistics temporarily bulge. . . .”

The RJR Nabisco takeover was the last one utilizing this kind of cash payment. In the future—thanks in part to Wendy Gramm (head of the Commodity Futures Trading Commission, 1988-93, then a member of the board of directors of Enron; wife of former Texas Republican Sen. Phil Gramm), and her deregulation of derivatives—the awkwardness of coming up with large cash payments was replaced by “innovative” financing. Forty-eight days after the completion of the RJR Nabisco deal, Michael Milken was indicted, on March 29, 1989.

By then, Giuliani had left the U.S. Attorney’s office, and he ran, unsuccessfully for Mayor of New York, an office he won four years later. Among the leading contributors to both campaigns were officials from the leading Wall Street firms, which benefitted most from the takedown of Milken and Drexel. The most generous donations were from officials from Dillon Read and Lazard Frères.

# Will Cheney and Pelosi Be Partners in Mass Murder?

by Jeffrey Steinberg

If the United States goes ahead with the bombing campaign against Iran that Vice President Dick Cheney has been strenuously promoting, there is no doubt that he will have the blood of millions of people on his hands, surpassing even the crimes of Hitler. What should be equally clear is that if “preventive war” is launched, Speaker of the House Nancy “impeachment is off the table” Pelosi (D-Calif.), will go down in history as Cheney’s partner in genocide, for her role in keeping the Vice President in office, in the face of overwhelming evidence of impeachable crimes, and a groundswell of popular demand for his ouster.

As Lyndon LaRouche has emphasized, at this late date, the only reliable war-avoidance path for the United States is the “preemptive impeachment” of the Vice President. Unless Cheney is forced out of office now, it is a virtual certainty that the United States will attack Iran militarily, and that this will trigger an asymmetric World War III, which will result in the deaths of tens of millions of people, at minimum, and destroy the United States forever as the republican “beacon of liberty” for mankind.

## No ‘Seven Days in May’

On Nov. 12, Adm. William Fallon, the Commander-in-Chief of CENTCOM, gave an extraordinary interview to the *Financial Times*, in which he categorically rejected the idea of an American preventive attack on Iran. Admitting that dealing with Iran was “a challenge,” he nevertheless declared that a U.S. attack was not “in the offing.” Admiral Fallon told the reporters, “None of this is helped by the continuing stories that just keep going around and around and around that any day now there will be another war, which is just not where we want to go. Getting Iranian behavior to change and finding ways to get them to come to their senses and do that is the real objective. Attacking them as a means to get to that spot strikes

me as being not the first choice in my book.”

The CENTCOM chief next implicitly hit at Cheney and at President George W. Bush—who have both threatened Iran and U.S. allies with World War III if Iran gets close to having a nuclear bomb—warning that “generally, the bellicose comments are not particularly helpful.” The admiral called on the Iranians to signal their openness to cooperate: “We need to see them do something along the lines of ‘we are serious about having a dialogue’ and then maybe we can do something.”

The *Financial Times* also quoted from two former CENTCOM commanders, who both seconded Fallon’s rejection of a military attack. Gen. John Abizaid (USA-ret.), the man Fallon replaced at CENTCOM, said that the United States should avoid confrontation with Iran, since it would be “devastating for everybody.” He went so far as to say that the United States could even live with a nuclear-armed Iran, echoing earlier statements by Gen. William Odom (ret.), former director of the National Security Agency. Gen. Anthony Zinni (USMC-ret.) emphasized that U.S. military forces were “stretched too thin” to engage in a protracted confrontation with Iran.

The *Financial Times* noted that Fallon’s “comments served as a shot across the bows of hawks who are arguing for imminent action. They also echoed the views of the senior brass that military action is currently unnecessary, and should only be considered as an absolute last resort.”

Indeed, Admiral Fallon, speaking for the vast majority of American flag-grade officers, including the Joint Chiefs of Staff, went about as far as any active duty officer could go—short of a fundamental breach of the constitutional doctrine of civilian control of the military.

The admiral’s intervention was, most of all, directed at Congress, which has the constitutional responsibility for impeachment—and has, so far, demonstrated a potentially fatal dose of institutional cowardice.

In the case of Speaker Pelosi, the issue is not cowardice. The issue, as most leading Democrats know, is that she is owned by fascist banker Felix Rohatyn, who, along with Bush Administration “Godfather” George Shultz, is a driving force behind the privatization of war, and of such earlier war crimes as the Pinochet coup in Chile in the 1970s.

## The Impeachment Mandate

As reported last week in *EIR*, on Nov. 6, the U.S. House of Representatives, by a bipartisan vote of 218-194, referred a privileged resolution by Rep. Dennis Kucinich (D-Ohio), calling for the impeachment of the Vice President, to the House Judiciary Committee, for action.

Following a Nov. 14 Capitol Hill forum, Rep. John Conyers (D-Mich.), the House Judiciary Committee chairman, told reporters that the impeachment resolution against Cheney is “under active consideration.” The chairman refused to provide any further details, describing the Cheney impeachment, accurately, as “the most sensitive matter before the nation.” During the forum, Conyers candidly admitted that “every member up here is being besieged by people demanding an impeachment action be begun.” He went on to say, “This is the subject that governs what happens in 2008. This is the subject that people are coming to us, asking ‘if they [the impeachment provisions of the Constitution] don’t apply now, when will they ever apply?’”

During the Nov. 6 House floor showdown on the Kucinich resolution, Speaker Pelosi was conveniently out of town, leaving House Majority Leader Steny Hoyer (D-Md.) to bungle the effort to table the motion and bury it until the clock runs out on the 110th Congress. Congressional sources confirm that a behind-the-scenes brawl is under way among House Democratic leaders, over how to deal with the Cheney impeachment, given that an overwhelming majority of Americans both want Cheney out, and believe that the Vice President has already committed high crimes and misdemeanors.

Two senior Democratic staffers acknowledged to *EIR* that the issue driving the debate is Iran. “If there wasn’t the looming threat of a U.S. preemptive attack on Iran,” one Hill Democrat admitted, “we would just leave Cheney hanging there, as the perfect hate object going into 2008. But nobody is confident that a hit on Iran is off the table. That is the dilemma Democrats are struggling with.”

## War in Sixty Seconds

U.S. military experts, polled by *EIR*, have told Members of Congress, in private discussions, that there is no time to stop a bombing of Iran, once President Bush gives the order. According to one source, the Eighth Air Force, assigned to the Strategic Command (STRATCOM), has a detailed, updated bombing plan ready to go, as part of former Defense Secretary Donald Rumsfeld’s “Global Strike” doctrine. An initial bombing run would not necessarily involve assets of the Central Command, but merely strategic bombers from

STRATCOM. Most Americans—including Congressmen—could wake up one morning to find that war against Iran had already begun.

According to these experts, the only way to actually stop such an attack, is to make it 100% clear to Cheney and Bush, that if they bomb Iran, impeachment proceedings will begin the next day. LaRouche, speaking for a vast majority of Americans, has gone further, insisting that only Cheney’s removal from office *before* an attack is ordered, can assure that World War III will not be launched from Washington.

Clearly, a handful of Members of Congress on both sides of the aisle agree with LaRouche’s assessment. On Nov. 9, Kucinich wrote to Conyers, asking the Judiciary Committee chairman to act right away on the Cheney impeachment mandate.

The Kucinich letter, released to the public, read, in part: “Recent reports indicate that the Vice President is attempting to shape the National Intelligence Estimate on Iran to conform to his misperceptions about the threat Iran actually poses. Much like his deceptive efforts in the lead up to the Iraq war, the Vice President appears to be manipulating intelligence to conform to his beliefs.

“If the reports are true, they add additional weight to the case for impeachment. I believe impeachment remains the only tool Congress has to prevent a war in Iran.”

The same day, Rep. Jim McDermott (D-Wash.) called for Congress to hold televised war games, to show the American people the consequences of a U.S. attack on Iran.

In a brief statement on the House floor, McDermott explained, “My concern that the President might launch a military strike against Iran is well known, but my mission here today is not rhetorical. . . . We know the Pentagon has conducted war games to examine the casualties and consequences of a U.S. military strike against Iran. We should, too. Here are some of the questions we could consider: How many dead? Wounded? How much destruction? Would we pulverize Iranian targets with bunker buster bombs?”

“A group of recently retired, high-level CIA intelligence agents brought the idea to me. These are patriots whom we trusted with keeping and protecting America’s secrets. They and others, including a retired Air Force Colonel who conducted war games in the Pentagon, would accurately produce a U.S.-Iran war game, just as it’s done in the Pentagon. I know because they gave me a plan.

“A military strike against Iran would involve life and death issues. We need to understand what that would look like. I urge my colleagues and the media to join me in demanding that we publicly conduct a U.S.-Iran war game as soon as possible.”

While a televised war game, aimed at educating the American people about the horror-show that an Iran war would be, might be useful, it is not a replacement for the one sure way to stop the war: the immediate impeachment of Vice President Cheney.

# IAEA: Diplomacy Can Work—If Desired

by Muriel Mirak-Weissbach

The report issued by International Atomic Energy Agency (IAEA) Director General Mohammad ElBaradei on Nov. 15 should be taken as further confirmation that diplomacy works. In effect, it validates the agreement reached between the Agency and Iran on Aug. 21, whereby all remaining questions and unclaritys regarding Iran's nuclear program, would be subjected to a question-and-answer process between the two, until both were satisfied. The new report indicates that indeed further important progress has been made since then, in successively dealing with specific issues, like the P-1 and P-2 centrifuges, essentially closing that chapter. While further issues remain to be dealt with, the implication of the report is that, if the same procedure is followed in a climate of good will on both sides, they, too, can be settled.

As anticipated, those committed to military conflict with Iran, are reading the report to stress what issues do remain open, such as the contentious Additional Protocol, to seize upon statements about what the IAEA has, as yet, *not* been able to exclude or ascertain. In short, the report has immediately become a political football.

Any rational reader of the report, "Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolution 1737 (2006) and 1747 (2007) in the Islamic Republic of Iran," would be struck by the efficiency of the method followed by the IAEA and Iran in settling issues, and by the wealth of material provided on past aspects of the nuclear program. At the outset, the paper reports on progress made since the Aug. 21 agreement. Regarding P-1 and P-2 centrifuges, for example, it states that on Aug. 31, "the Agency provided to Iran in writing the outstanding questions relating to the P-1 and P-2 uranium enrichment programme"; that meetings took place in late September and early October in Tehran on the matter; and that during the latter, "Iran provided oral answers," and "the Agency requested additional clarifications and amplifications." In mid-October the IAEA received preliminary answers in writing, after which technical teams went to Tehran for further discussions, including on nuclear work in the 1980s and 1990s. "On 5 and 12 November 2007," the report states, "Iran provided in writing its response to the Agency's questions," etc.

Still on the subject of centrifuges, the report details the history of Iran's work, from the time it received an offer in 1987 for components and equipment "by a foreign intermediary" to its research and development of the same. "Based on



IAEA/D. Calma

*A report issued by IAEA director Mohammad ElBaradei on Iran's nuclear program confirms that diplomacy is working; but the Cheneyac war-mongers are pushing the opposite view.*

interviews with available Iranian officials and members of the supply network," the report says, "limited documentation provided by Iran and procurement information collected through the Agency's independent investigations, the Agency has concluded that Iran's statements are consistent with other information available to the Agency" on the matter.

The same formulation is used to express the IAEA's assessment of related issues. For example, on the offer in 1993 for Iran to purchase enrichment technology, the report says the Agency "has so far not been able to confirm Iran's statement that the supply network initiated the 1993 offer," but, "Information provided by Iran on the deliveries and technical meetings after 1993 is consistent with that given to the Agency in interviews with some of the network members." And so on, and so forth. Iran's version is found "consistent" with the IAEA's findings regarding work on centrifuges, as well as the times and quantities of material purchases. The same goes for Iran's version of P-2 R&D activities.

## Unsettled Issues

A number of important issues remain open. Among them are: the source of uranium particle contamination found at a technical university; studies regarding plutonium-210; activities at a mining and milling area (Gehine Mine); studies on the conversion of uranium dioxide into UF<sub>4</sub> (the green salt project); and current enrichment activities. In all cases, the report states that "Iran should provide answers" in the next weeks.

One problem area identified in the report is the Heavy Water Production Plant. Here, the IAEA has to rely on satellite imagery, because "it does not have routine access to it while the Additional Protocol remains unimplemented." The cited protocol was a document that Iran agreed to, on a voluntary basis, and then abandoned in early 2006. The protocol had allowed for intrusive, unannounced inspections to various sites. Iran had accepted the protocol as a gesture of good will on its part, hoping that it would get something in return. Specifically,

Iran wanted transfer of nuclear technology from the European Union's group of three (Germany, Great Britain, and France) which had been negotiating on the issue. In late Summer of 2005, the EU made Iran an "offer" it could not accept, and later, Tehran abandoned the protocol. The "offer" did propose assistance in a civil nuclear program, but on condition that Iran limit its fuel cycle activities to a light water reactor and to research; that it "make a legally binding commitment not to withdraw from the NPT," to ratify the Additional Protocol, allowing inspectors free rein anywhere and everywhere, and halt construction on its Heavy Water Research Reactor at Arak.

Most insulting were the "security guarantees," which, referring back to generic statements in a UN Security Council resolution 984 of 1995, indicated that nuclear powers (Britain and France) would not attack Iran with nuclear weapons! Iran rejected the offer as an insult, an attempt to halt its entire nuclear program, and illegal under international law.

In its Summary, the report concludes, "The Agency has been able to verify the non-diversion of declared nuclear material in Iran." However, the report then complains that its "knowledge about Iran's current nuclear programme is diminishing" since Tehran abandoned the Additional Protocol. The Summary adds that, "Contrary to the decisions of the Security Council, Iran has not suspended its enrichment related activities. . . ." As a result, ElBaradei "urges" Iran to implement the Additional Protocol again, and to suspend all enrichment-related activities. The Summary also notes that, although Iran has been cooperative with the IAEA, "its cooperation has been reactive rather than proactive."

The most equivocal, and therefore dangerous, note in the Summary, is the statement that, "Although the Agency has no concrete information, other than that addressed through the work plan, about possible current undeclared nuclear material and activities in Iran, the Agency is not in a position to provide credible assurances about the absence of undeclared nuclear material and activities in Iran without full implementation of the Additional Protocol." In short, guilty until proven innocent.

On balance, the report documents progress made as a result of the method adopted in August by the two sides. The Iranian government has welcomed it on that account. However, the continuing demands for intrusive inspections, and for suspension of enrichment activities, will not find acceptance in Tehran, on grounds that they are tantamount to stopping the entire program. And, they are in flagrant violation of the very NPT that Iran is supposed to accept. If the IAEA and the "international community" were to draw the positive conclusions from the report, they would wholeheartedly endorse an accelerated continuation of the question-and-answer procedure that has yielded such promising results. If, however, as recent threats emanating from Vice President Dick Cheney and others indicate, the intention is to provoke conflict, the question marks left in the report will be exploited as "proof" that Iran is hiding a weapons program.

# U.S.-Pakistani Army Conflict Intensifies

by Ramtanu Maitra

At a briefing organized by the Directorate-General of Military Operations (DGMO) for a selected few journalists on Nov. 14 at Rawalpindi, Pakistani Army officers said that Gen. Ashfaq Pervez Kiyani, the Vice-Chief of Army Staff (VCOAS), who is expected to take over the Chief of Army Staff (COAS) job from Gen. President Pervez Musharraf by the end of this month, believes that the failure to deal effectively with jihadi terrorism in Pakistani territory was in part due to the over-militarization of Pakistan's counter-terrorism strategy under American influence. Ayesha Haroon of News International reported on Nov. 15 that Kiyani stresses that "military solutions must be politically acceptable," and "only minimum use of force must be resorted to."

How this difficult task can be achieved was not discussed at the briefing, nor was it the place to discuss such a long-term policy, yet the statement itself is a clear indication that Islamabad has finally made clear its fundamental differences with Washington on how to conduct the war on terror on Pakistani soil. It is likely that such differences were discussed before, but they were not made public. However, there are warning signals that such differences cannot be suppressed any longer.

## Emergency Will Continue for Now

On Nov. 15, President Musharraf appointed Senate chairman Mohammed Mian Soomro, a former banker from a political family in Sindh, as caretaker prime minister to oversee general elections.

The day before, Musharraf told the Associated Press that he would step down as Army chief after a Supreme Court ruling on the validity of his re-election, which he said was expected by the end of November. He added that he would subsequently begin a new Presidential term as a civilian, warning that the country risked chaos were he to give in to opposition demands to resign.

Musharraf's statements and actions amounted to a categorical rejection of White House demands. In fact, President Bush has sent the number two in the U.S. State department, Deputy Secretary of State John Negroponte, to Pakistan to convey a terse message: Lift the state of emergency and hold free and fair elections. Musharraf has made clear there will be no lifting of the emergency now, and "free and fair" elections will be held in early January of 2008, with the state of emergency very much in place.

The differences between Washington and Islamabad had been deepening for a while, but went into fast-forward mode following the declaration of emergency on Nov. 3, defying a last minute call from U.S. Secretary of State Condoleezza Rice. Prior to Nov. 3, the security situation was already precarious, but Musharraf had ostensibly agreed, at Washington's behest, to a power-sharing arrangement with the twice-failed former prime minister, Benazir Bhutto. It was evident then, as it is now, that the insertion of Bhutto was designed by London to foment further chaos within Pakistan. It is also likely that the neocons in Washington, headed by Vice President Dick Cheney, were eager participants in this project, although each side had its own specific objectives.

### **Create a Militant Islamic State**

The objective of the British, whose empire has been based upon splitting Islam along sectarian lines, and promoting a feudal class (the Bhuttos are in this category) within Islamic countries, to maintain control over the many by owning a few, is to create an unstable Islamic militant state along the oil and gas fields of Central Asia, separated from the more stable and populous part of Pakistan. This would not only ensure British control over very important natural resources, but it would also ensure that the oil and gas profits would find their way to the City of London—the life source of British power.

For the neocons in Washington, since 9/11, Pakistan has been considered to be the hub of Islamic terrorism. According to these neocons, the war on terror would be futile unless the terrorists inside Pakistan were eliminated. Since the Pakistani Army had rejected efforts to kill off Pakistani citizens to assuage the Americans, the neocons picked up the “democracy” and Benazir Bhutto options as cudgels to dethrone the Army from power in Islamabad.

However, these external plans did not go wholly unnoticed in Islamabad, nor in Rawalpindi—the seat of the Army's power. In fact, according to reliable ex-military sources, cited by an analyst, at the meeting of the Corps Commanders of the Pakistani Army convened by Musharraf on Nov. 10, there was a unanimous endorsement of his deci-

sion to impose the emergency, suspend the Constitution, and sack Chief Justice Iftikhar Mohammad Chaudhry of the Supreme Court.

However, the majority of the Corps Commanders expressed their reservations over the wisdom of Musharraf's attempts, under U.S. pressure, to reach a power-sharing agreement with Benazir Bhutto. It is interesting to note in this context the phase-change in Bhutto's tactics since she landed in Pakistan after eight years of self-imposed exile. Initially, after her Oct. 18 arrival, she expressed her desire to share power with Musharraf—as Washington and London had told her to do.

But since Nov. 3, Bhutto has gone hammer-and-tong against Musharraf and the Army, and is now fully engaged in unleashing civil unrest to overturn the powers-that-be. Her reckless policy, to unleash street-dominated civil unrest and create chaos, is what scares the Pakistani Army. While there is absolutely no question that the Nov. 3 emergency declaration was rejected by virtually all Pakistanis, there is also no question that the dangers posed by the militants in the tribal areas bordering eastern and southeastern Afghanistan is not fully understood. What is also not understood is the capability of the suicide bombers, who now exist by the dozens, if not by the hundreds, and are hidden throughout the country, silent as fish in water, to surface and cause mayhem at any time. But the failure to convey this crisis to the population lies squarely on Islamabad and the Pakistani Army.

### **The Next Phase of Crisis?**

Now, Musharraf and the Pakistani Army are preparing for the next phase of crisis, and it could be a dangerous one: a cocktail of London-inspired chaos led by Benazir Bhutto and her protestors, and interspersed with suicide bombers sacrificing themselves on behalf of those who plan to set up a separate, independent Islamic *shariat*, or religious state, bordering Pakistan and Afghanistan.

On Nov. 14, anticipating exactly such developments, Pentagon press secretary Geoff Morrell told the news media that the U.S. military is looking at alternate routes to send supplies to troops in Afghanistan, “in case the political crisis in Pakistan makes supply lines unavailable.” The U.S. military sends 75% of its supplies for Afghanistan through, or in the skies over Pakistan, including 40% of the fuel for the troops, the U.S. Defense Department said.

“In light of the fact that there is civil unrest in Pakistan, in light of the fact that there is a state of emergency in Pakistan, we feel it is responsible, given the importance of the Pakistani supply lines to our operations in Afghanistan, to have a contingency plan,” Morrell added.

### **Nuclear Weapons**

The fear of civil unrest is what inspired the Pentagon to develop a contingency plan so that U.S. and NATO troops

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ons may end up in the hands of al-Qaeda, as a result of the steady disintegration of law and order within Pakistan. Alarmed by the political crisis in Pakistan, U.S. spy agencies have stepped up their scrutiny of the country’s nuclear weapons program and directed analysts to reexamine the risk that rising instability could lead to the loss of a nuclear device or material, according to U.S. intelligence officials, and an article in the *Los Angeles Times* on Nov. 4.

“That was one of the things people immediately started asking about” when Musharraf declared emergency rule in his country, and suspended the Constitution, a senior U.S. intelligence official said. “How do we game this out? How might it happen?”

The scenarios being considered include an attempt by al-Qaeda or another terrorist network to launch an attack on a nuclear site, or a move by a faction of the powerful Pakistani military to gain power by aligning with Islamic militant groups.

As a result of this growing cacophony, President Musharraf has come out openly declaring that Pakistan’s nuclear arsenal is fail-safe, and fully under control. Although the Pentagon said on Nov. 14 that it was

can be supplied with what they need. But the talk of taking such measures evokes a great deal of uneasiness in Rawalpindi. The reason for this concern is the recent focus in the United States on Pakistan’s nuclear arsenal.

Pakistan, like India and Israel, is a non-signatory to the nuclear non-proliferation treaty (NPT) and is outside of the IAEA (International Atomic Energy Agency) jurisdiction. Pakistan, also like India and Israel, has developed nuclear weapons, having tested its nuclear explosives in 1998. Washington has always expressed concern over these “illegal” nuclear weapons, and has tried to exercise control over them. The 9/11 event forced the Bush Administration to seek Pakistan’s assistance to fight the war on terror and temporarily sweep under the rug the nuclear issue, although the non-proliferation community of the United States—a huge bureaucracy, large enough to populate a small nation—has kept its knives sharpened.

Recently, the knives were taken out. All over the United States, news media have begun raising the alarm about Pakistan’s nuclear weapons. Their claim is that these weap-

not worried about the security of Pakistan’s nuclear weapons amid the political crisis there, there are many in Rawalpindi who believe that an all-out crisis inside the country would be used as an excuse by Washington to get control of Pakistan’s nuclear button. As a corollary, some of the uniformed Pakistani officials believe that the contingency plan announced by Pentagon spokesman Morrell is associated with some such plan.

Under no circumstances will the Pakistani Army allow its nuclear command and control to slip out of its hands. If that happens, Rawalpindi believes the United States will ride roughshod over Pakistan.

It is perhaps this crisis that has led Musharraf to announce that he would soon visit Riyadh, Saudi Arabia to discuss the situation. According to one senior Pakistani scribe, it is likely that Musharraf aims to convey to the West through King Abdullah, that the Americans will never be allowed to fill any vacuum in Pakistan. Rather, chaos will play directly into the hands of the very militants and extremists the West fears so much.

## Elections in Pakistan Would Be a Mistake

*General Beg is a senior figure in the Pakistani military establishment, having taken over as the Chief of Army Staff after President Gen. Mohammed Zia ul-Haq was killed in an air crash in 1988. This interview was conducted by telephone by Muriel Mirak-Weissbach on Nov. 9.*



**EIR:** General Beg, how would you describe the current situation in Pakistan?

**Beg:** It is a very interesting and complicated situation. It is time to understand the reason and real issues of the crisis. The American agenda was to have General Musharraf and Benazir Bhutto, as the best combination, together with the secular and enlightened parties (those which support President Pervez Musharraf). The process was orchestrated, on Oct. 18, when Bhutto got a hearty reception on her return [from self-imposed exile abroad], and a rousing rally. But that all came to nought with one bomb blast. Surprisingly, all those among her supporters who were not hurt, left people dying and wounded and went home. Bhutto said there were 2 million people there; if so, it should have turned into a battleground, but it didn't happen. You can see the character of the leaders and of the party.

**EIR:** A battleground between what forces, if it was a suicide bomber?

**Beg:** That's not known. The government made no serious effort to find out. There were two serious incidents earlier. Last year in Karachi, when 22 were killed and the religious party leadership was eliminated in a bomb blast; then on May 12, when the Chief Justice, supported by the people, was encountered by bullets, in Karachi; hundreds were killed, but there was no inquiry.

So this, with Bhutto, was the third major incident in Karachi. It was a setback for Benazir Bhutto. She was supposed to lead the "Rose Revolution," like in Ukraine, but it didn't work.

Musharraf was opposing the Supreme Court, because it had yet to give its judgment regarding whether his election

was constitutional or not; they were to give judgments on several other cases where the government was involved. The freedom that was enjoyed by the judiciary and by the media, was struck down by the emergency [declared by Musharraf]. The emergency is actually a coup against the judiciary and the media. Now 50 judges of the Supreme Court and lower courts have refused to take their oath under the martial law regime. This is unprecedented anywhere in the world. The judiciary and the media were leading the revolt. All private television channels have been banned and only government channels are allowed.

According to the American agenda, with the Benazir-Musharraf combination, in this situation, with the judiciary now under government control, if elections are held, there will be a repeat performance of 2002, when the government stage-managed the election.

Today [Nov. 9], Bhutto wanted to hold a rally in defiance of the government, but her political activity has been confined for three days, nothing more.

**EIR:** Then Bhutto's defiance is orchestrated?

**Beg:** It's all drama, to boost her image. Today, Benazir is so openly supporting the American agenda, that she carries the burden of the unpopularity of the Americans and the regime. If they succeed in forming a government, it will be like a red flag waved in front of a bull, for the frontier regions where there is a revolt, and for the masses, and particularly for the civil society which, for the first time, experienced some freedom. The media used its relative freedom to inform the public. It was the Bar and the Bench which led the movement, the revolution in Pakistan, and now it is this group, and the media, which is the target of the martial law. It's not against any government, just against civil society which, for the first time, had gained a degree of ascendancy.

If elections are held, it will be very dangerous for Pakistan. Therefore, what must happen is the following: The first priority is to restore the dignity and honor of the judiciary, by restoring all the judges who were fired. The second priority, now that Gen. Pervez Musharraf has lost all credibility, is to have a government which can heal the wounds—mental and physical—inflicted on the people. This should be a national unity government, with all parties represented, which could rule for six months to a year. Then, one could hold elections.

### Enough American Blunders

The present machinations will lead to a very serious situation. This American agenda is like the one followed in Iran, when the Americans continued support of the unpopular Shah, who had destroyed political parties, and, when the crunch came, the only ones to take on the situation were the radicals.

When they occupied Afghanistan, knowing it has never

accepted foreign domination (and were supported by the EU, especially Germany), they made their second major strategic failure. When you don't learn the lessons of history, that is what you face. The coalition there has been defeated.

Now in Pakistan, this is the third major mistake. A Musharraf-Bhutto government would be a catastrophe for Pakistan.

**EIR:** Bhutto does not really have popular support.

**Beg:** There are two hate objects in Pakistan: America and the regime of Musharraf. Bhutto has inherited both.

**EIR:** U.S. CENTCOM commander Adm. William Fallon was in Pakistan meeting with Musharraf just before the emergency was declared. Was this to approve the coup, and prepare military operations against the forces in the tribal region?

**Beg:** Of course. But it is the wrong direction. The Pakistani Armed Forces are not capable of dealing with the problem in the tribal regions. The problem is in Afghanistan, the foreign occupation, and the extension of this problem to our tribal regions. The Pakistani military has been defeated in Waziristan. What's left? The only solution is political rehabilitation, restoring the honor and dignity of the judiciary, and national reconciliation under a national government—then, elections, as the last priority. For the Americans and Musharraf, the elections are the first priority, whereby they want to rule another five years.

**EIR:** Some moot that if elections were held, extremists would win.

**Beg:** Not true. Let me give you an example. In 1988, when General Zia died, we three chiefs [of the armed forces] sat together, and within three hours we restored the Constitution. People thought the radicals would take over, and at the time, Pakistan was ten times more radicalized than now. The CIA report of 2004 said there had been 60,000 jihadis from 70 countries, plus 30-35,000 more from Pakistan. They had no interest in elections; the religious parties all together got only 8% or so.

This is true even today. If there are elections, the jihadis will not take part. They will not let this kind of secular government come to power, and crush them with the use of force. That is what has been happening, and they have retaliated. They will take revenge. Instead of their guns pointing at Kabul and Kandahar, they have them pointing at Peshawar and Islamabad. They must take revenge—it is a tribal custom. And they have given a very clear warning to Benazir Bhutto: If she comes to power, they will capture her and slaughter her.

The Americans made mistakes in Iran and Afghanistan. They must not commit another blunder in Pakistan.

# Cheney Wants War; IDF Wants Peace With Syria

by Dean Andromidas

Unlike U.S. Vice President Dick Cheney, who is working for regime change in Syria, the general staff of the Israeli Defense Force (IDF) is enthusiastically supporting Syrian President Bashar Assad's calls for negotiating an Israeli-Syrian peace agreement.

Although Assad's overtures have been public knowledge for months, they are now getting more attention, because of the almost universal skepticism that anything positive will come out of the so-called peace summit being organized by U.S. Secretary of State Condoleezza Rice, which is supposed to be held in Annapolis, Md., "some time" this month. Optimists expect the results of Annapolis, aimed at furthering the Israeli-Palestinian peace process, will be no more than a good "photo op," while pessimists fear its failure will ignite another Palestinian intifada and new round of brutal bloodletting.

On Nov. 13, the Israeli daily *Yediot Ahronot's* senior security commentator, Ron Ben Yishai, reported that, under pressure from the senior commanders of the IDF's General Staff, Israeli Defense Minister Ehud Barak has been pressuring Prime Minister Ehud Olmert to renew the peace talks with Syria, while the latter, mostly in deference to the Bush Administration, has refused Syrian peace overtures.

"In the 60th year of its existence, the State of Israel finally has to produce permanent borders that come with a clear return address that we can reach understandings with and finalize binding agreements with," Ben Yishai quotes one very senior security official as saying. "We can reach this state of affairs with Syria at this time; with the Palestinians, not yet." Such an agreement would positively affect the Israeli-Palestinian conflict. "If we don't at least try to reach an agreement with Syria, we'll be doing ourselves a disservice."

## The Golan Heights

In a reference to returning the Golan Heights to Syria, in return for peace, Yishai's source said, "All of us know what Syria wants and what previous Israeli governments agreed to give it. It's clear to me that if we have another war today, we'll win. But this war will cause terrible destruction and victims on both sides, and when it's over we'll sit down at the negotiation table with the Syrians and reach an agreement. So why should we join this march of folly? Why don't we try to enter negotiations at this point already in order to reach the same result we would be achieving after the war? In my estimate, today Syria is ready for such talks."



Ricardo Stuckert/Abr. O3



Presidential Press and Information Office

*Syrian President Bashar Assad (left) is pushing for a peace agreement with Israel; Israeli Prime Minister Ehud Olmert is said to have discussed it with Russian President Putin in Moscow last month (right).*

Ben Yishai writes that this position not only contradicts that of Olmert but also the Mossad, headed by Meir Dagan, a hardliner who had been appointed by former Prime Minister Ariel Sharon. By contrast, the Shin Bet, the internal security service, and Military Intelligence support an opening to Syria. The latter's assessment is that while Palestinian President Mahmoud Abbas would not be able to implement an agreement, Assad "is ready and willing to deliver the goods." The security services point to the fact that Assad has grown uneasy about Syria's alliance with Iran, and wants to see continued economic development in his country, which constitutes the main motive for the popular support of his regime among the Islamic radicals, and for this, Assad needs European and American investments. Thus, Ben Yishai writes, the security establishment has formulated a strategy that argues for "containment in the Palestinian arena and diplomatic initiative on the Syrian track."

While Barak and the defense establishment understand that Israel cannot afford to stay away from the Annapolis conference, "Israel must embark on negotiations with the Syrians. Initially this should be done surreptitiously, through mediators (such as Turkey, for example) and later openly."

These sources say this should start after Annapolis, by opening a back channel, perhaps through Turkey, which could lead to an international summit. The article points out that there have been media reports that talks are already underway, in preparation for convening such a conference in Moscow. In fact, President Abbas, according to Arab press reports, discussed the possibility of a Moscow conference with Rice. Furthermore, Israeli intelligence sources have told *EIR* that the idea for a Moscow conference has been discussed by all sides, including Russia, and in fact, came up during Olmert's talks with Russian President Vladimir Putin when the Israeli prime minister was in Moscow last month. These same sources confirmed that Turkey is deeply involved in efforts to mediate between Israel and Syria.

*Yediot Ahronot* also reported that Barak feels such negotiations could be part of a comprehensive peace initiative that Israel should make, after the U.S.-sponsored peace summit in Annapolis, at the center of which would be peace talks with Syria.

"Such a change may lead to good and unexpected results for Israel," Barak told his associates recently in a closed forum, according to *Yediot Ahronot*. "We must conduct extensive work which would determine all of

Israel's crucial interests in the region. We must examine this opposite Syria, opposite the Palestinians, opposite the Jordanians and opposite any other Arab countries. . . . Why not have an Israeli initiative?" Barak asked his aides. "Why shouldn't we stipulate our interests, what we want, what we are willing to give, and then launch our own peace plan as a starting point for negotiations?"

Commenting on the Barak statement, Lyndon LaRouche said, "That's the only way to save the Annapolis conference." Earlier this year LaRouche fully endorsed statements by both Assad and Israeli President Shimon Peres calling for Israeli-Syrian peace talks.

### **The Syrian Track in Iraq**

At this point Syria is perhaps the most important player in any effort to stabilize the Southwest Asian region. Take, for example, Iraq, where intelligence sources report that all Iraqi factions, both government and insurgent, have been meeting in Damascus for discussions.

Reopening the Syrian track now is the only way an Israeli-Palestinian track will have any success. Palestinian President Abbas does not control the Gaza Strip, which is fully in the hands of Hamas, which Cheney wants to destroy through forcing the Palestinians into a civil war. This is a policy the Israeli military knows will only lead to terrorist activity targeting Israel, including the firing of homemade Palestinian Qassam rockets from Gaza into Israeli communities. The fact that Hamas leader Khalid Mashaal is based in Damascus, suggests that Syria could serve as a mediator in an effort to bring about a rapprochement between Hamas and Abbas's Fatah faction, which is essential in resolving the Palestinian-Israeli conflict.

Although this reality is denied by Cheney and the neocons, who want only perpetual wars in the region, a substantial faction within the Israeli security establishment sees that peace with Syria is crucial for Israel's long-term security.

# Schiller Institute's Maglev Campaign Sets Debate in Danish Elections

by Tom Gillesberg

Long after the Nov. 13 election results in Denmark are forgotten, Danes will be talking about the campaign of the four candidates of the LaRouche-founded Schiller Institute, centered on their electoral slogan, "After the financial crash: Maglev across the Kattegat."

The government of Prime Minister Anders Fogh Rasmussen called elections on Oct. 24, one day before the Schiller Institute was scheduled to testify before the political economic committee of the parliament on the global financial breakdown crisis, and Lyndon LaRouche's solution: the Homeowners and Bank Protection Act of 2007, and a New Bretton Woods monetary system. With the parliament dissolved, the testimony of the Schiller Institute was put on hold.

But, during the course of the short campaign, the Institute candidates—Tom Gillesberg, Feride Istogu Gillesberg, Janus Kramer Moeller, and Hans Schultz—were able to take their message far beyond the walls of the parliament. Aided by activists of the LaRouche Youth Movement, they became the talk of Copenhagen and Aarhus, Denmark's second-largest city, gaining extensive newspaper and television coverage. Despite a small official vote total, the Schiller Institute is in a better position to press these policies on the Danish parliament than ever before.

## The Election Results

With both the government and a weak opposition agreeing not to discuss any of the big issues confronting Denmark in the near future, the question was not so much if the incumbent Rasmussen government would be reelected, but whether it would be able to continue to rule with the sole support of the Danish Peoples Party, or become an unstable government, dependent on the new creation in Danish politics, the much-touted New Alliance Party.

The election resulted in the present Liberal-Conservative government being weakened but reconfirmed. Although the government parties lost six seats compared to the 2005 election, ending up with 64, they reached the magic number of 90 seats, with the support of the 25 seats of the Danish Peoples Party and a liberal member voted in on the Faroe Islands, giving them a majority in parliament. (The parliament has 179 seats in total, with 175 elected in Denmark, 2 from Greenland and 2 from the Faroe Islands. The 2 members from Greenland and 1 of the members from the Faroe Islands are expected to vote with the opposition).

The new, fake creation in Danish politics, the New Alliance Party, founded in May by elite financial circles adhering to Ayn Rand's ideology, to push globalization, a flat tax, and labor immigration, did not get the decisive role that its creators had hoped for. When the party was launched through a huge media campaign, opinion polls gave them 20 seats, and they were called the new decisive factor in Danish politics. At that time, the Schiller Institute published the first exposé of the party (see "Shultz and Co. Launch Danish Political Party," *EIR*, June 8, 2007), and their support has continued to dwindle since. By the time the three-week election campaign ended (where they pledged to support the continuation of present prime minister, but wished to gain decisive influence), they only got 2.8% of the vote, which amounts to only five seats.

Within the present opposition, the Social Democratic Party continued its fall, with 25.5% of the votes and 45 members (two fewer than the last election), with the left-wing Socialist Peoples Party being the big winner, going from 11 seats to 23. The Social Liberal Party collapsed from 9.2% to 5.1%, going from 17 to 9 seats, and the ultra-left Unity List barely made it into the parliament with 2.2% of the vote, going from 6 to 4 seats. The opposition in total has an unchanged 81 seats (plus the three North Atlantic votes).

With these results, it is expected that the government, which formerly made controversial political decisions, like sending Danish troops to war in Iraq in 2003, with a very thin support in parliament, will try to make broad agreements including the opposition parties. It has already pledged that a decision like that in 2003 won't happen again. Its continued reliance on the Danish People's Party though, will make it difficult to introduce the big tax cuts and the dismantling of the Danish welfare state wished for by the leading financial circles, but also means keeping the present vicious Danish xenophobic policy of making life unbearable for refugees, in order to scare potential guests into going somewhere else.

## Schiller Campaigns Are 'Talk of the Town'

Already over the last 15 months, the Schiller Institute had gained much fame and ignited intense discussions by issuing a series of three 12-page campaign newspapers in runs of 50,000 each (1% of the Danish population) with translations of LaRouche's major writings, statements by Institute chairman Gillesberg, warnings about the impending systemic fi-

financial crisis, discussion of the New Bretton Woods, an infrastructure program for Denmark with a maglev network connected to the Eurasian Land-Bridge, exposés of the flawed 68er culture and the environmental swindle, the above-mentioned fraud of the New Alliance Party, and much more.

One month before the election was called, the Schiller Institute published 60,000 copies of a special pre-election issue with campaign articles and presentations of the four candidates, qualifying signatures were gathered, and election posters printed with the slogan, “After the financial crash: Maglev across the Kattegat,” illustrating the theme with a picture of the very successful Greater Belt Bridge and a German-designed maglev train. The Kattegat is a bay between Jutland in Denmark, and Sweden. On the day the election was announced, signatures were filed for the candidacies of Tom Gillesberg in Copenhagen, Feride Istogu Gillesberg in the Copenhagen suburbs, Janus Kramer Moeller in east Jutland, and Hans Schultz in north Jutland, covering four of the ten Danish election districts.

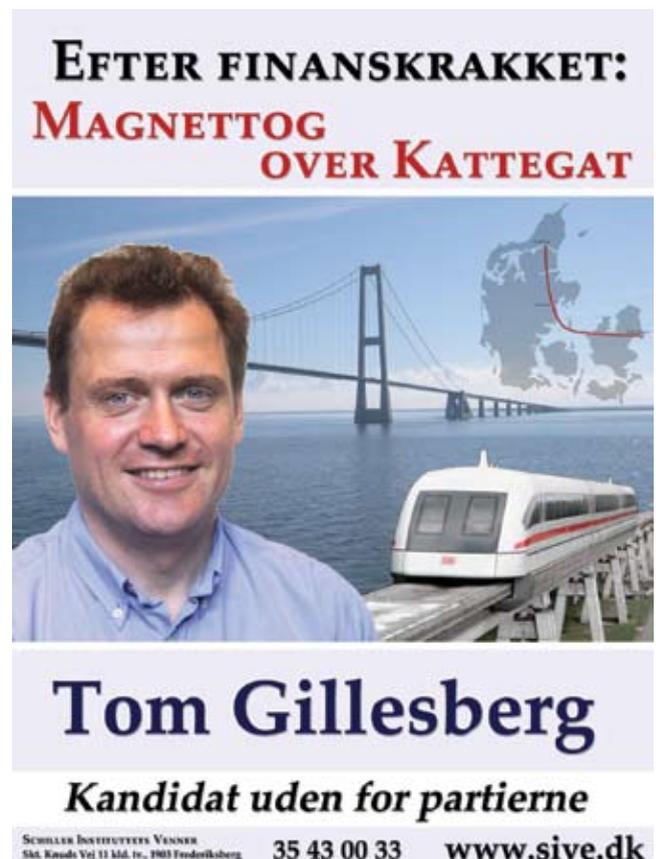
In just two days, posters went up in Copenhagen (a little later, in Aarhus and Aalborg) which quickly became the “talk of the town,” generating press interest. At the same time, the candidates began street campaigning with a LaRouche Youth Movement chorus, wearing maglev hats, singing beautiful but hilarious canons and songs about the need for maglev trains, and the small-mindedness of the general political discussion. That led to coverage on the regional television stations of TV2, both in eastern and northern Jutland, and coverage of Gillesberg on the TV2 national evening news (all coverage can be seen at [www.sive.dk](http://www.sive.dk)).

The biggest Danish paper, *Jyllands-Posten*, covered Janus Kramer Moeller in its Aarhus section, and Gillesberg in their national edition, under the title, “Campaigning on financial crash and maglev train.”

The nine parties running in the elections with lots of candidates, had nothing on their posters but a face, a name, and a party letter. For that reason, the Schiller Institute poster stood out, and was deemed the best campaign poster by the culture critics of the newspaper *Politiken*, complete with a half-page picture of Gillesberg’s poster, and a summary of his main campaign issues.

The Schiller Institute candidates were not invited to participate in election debates or given TV or radio time equivalent to the other candidates, but still, their candidacies were widely discussed. People were excited about the perspective of uniting Denmark with a maglev system, but kept asking,

FOR A NEW RENAISSANCE  
[www.SchillerInstitute.org](http://www.SchillerInstitute.org)



*The Schiller Institute in Denmark’s campaign poster which says, “After the financial crash: Maglev across the Kattegat,” injected some much needed reality into what was otherwise an election that failed to address any major issues.*

“Why do you say, ‘After the financial crash’? The media is saying the economy is doing great, what are you talking about?”

That also led to prominent press coverage, ranging from just reporting on the slogan “After the financial crash...” to an in-depth interview on the subject with Gillesberg in the major Copenhagen daily *Berlingske Tidende* on election day, where he was also awarded the title of best visionary candidate. On Nov. 5, *Berlingske Tidende* had also printed an article by its Brussels correspondent, Ole Bang Nielsen, which explicitly called for a government conference to establish a new monetary system to replace the old Bretton Woods agreement, as a result of the crisis created by the expected continued fall of the dollar.

The four members from the Danish Schiller Institute who ran as independent candidates against the nine official parties, received only about 0.02% of the vote. But, as a result of the campaign, it is in a position of greater influence than ever before. It is expected that the Schiller Institute’s parliamentary testimony will be rescheduled, and at the same time, a new Schiller Institute campaign newspaper will be hitting the streets and political institutions.

### Cabinet Shakeup Is Not Enough

*Labor Minister Müntefering resigned, but the Social Democrats need to abandon their budget-cutting axioms.*

After the Oct. 26-28 convention of the Social Democratic Party (SPD) passed a resolution calling for more state support for the long-term unemployed, the resignation of Germany's Labor Minister, Franz Müntefering, on Nov. 13, was just a matter of time. A Social Democrat, he had defended the "Hartz IV" policy which has been in effect since 2004, according to which, citizens who have been unemployed for more than 12 months, receive only 345 euros (\$503) per month in state support. Before 2004, they received up to 67% of their last average income. The Hartz IV policy, motivated by brutal budget-balancing in line with the European Union's regulations, has led to the impoverishment of several million jobless Germans, and growing nationwide opposition. The SPD has become the target of most of the discontent.

Before the SPD convention, Müntefering had insisted—in opposition to the views of party chairman Kurt Beck—that Hartz IV, which his ministry was in charge of, be left untouched. Müntefering's resignation is seen as an attempt to defuse the mounting discontent among the party base with the SPD Cabinet ministers' performance in the coalition government with the Christian Democrats (CDU-CSU). The SPD's ministers for Finance and Transport, Peer Steinbrück and Wolfgang Tiefensee, respectively, are also faced with heavy opposition: Steinbrück because of his hardline budget-balancing views, and Tiefensee because of his plan to privatize the railways.

The only SPD Cabinet minister who still has significant support in his own party, is Foreign Minister Frank Walter Steinmeier, who is trying to continue the pro-Eurasia and anti-war orientation of his former boss, ex-Chancellor Gerhard Schröder, under the complicated conditions of a coalition run by Chancellor Angela Merkel (CDU). Steinmeier will take over Müntefering's post of vice chancellor.

Whether the government will survive until the next scheduled national elections in Autumn 2009, is uncertain, however, because if it does not act against the deepening world economic-financial depression and banking collapse, its popularity will soon sink to levels of the U.S. Bush-Cheney Administration. Consumer price inflation—especially for food products such as milk, which have seen a speculation-based surge of 40-60% since the outbreak of the banking crisis in July—is hitting the population especially hard.

The government can protect the country against the depression only if it scraps the Hartz IV and Maastricht policies, and passes "firewall" legislation to protect the real economy, and the production-oriented functions of the banks, from financial collapse. And that is what the administration, even after this reshuffle, will not do voluntarily. The new Labor Minister, Olaf Scholz, is close to party chairman Beck, but he is not a man likely to consider substantial changes in policy. A change will come only from mounting pressure of the SPD party base, and that is dependent on the extent to

which the Social Democrats adopt core concepts of the LaRouche movement, and its political party in Germany, the BüSo (Civil Rights Solidarity Movement).

Over the past few months, policy statements by Helga Zepp-LaRouche, the BüSo's national chairwoman, on the necessary changes in economics, finance, and other areas have been circulated as leaflets, receiving a positive response from the base of the SPD. This situation is similar to that during the first months of 2005, when after weeks of BüSo campaigning for profound policy changes, with the slogan "Produce, don't speculate!" the SPD launched a campaign against the "locust funds," the hedge and equity funds that were devouring industry and jobs.

But from the moment the SPD entered the Grand Coalition government with the Christian Democrats in November 2005, they dropped most of the "anti-locust" momentum and decided to "behave." The tragedy of the SPD is symptomized in the fact that in this degeneration process, Müntefering himself, the man who was the party chairman in April 2005 when the Social Democrats proclaimed the campaign against the locusts, has now ended up on the other side of the political struggle. The party's tragedy is also symptomized by the fact that chairman Beck is afraid to call for scrapping the government's fiscal austerity policy altogether, and instead campaigns for "improvements" of some aspects of labor and social policy only. This is the Fabian tradition of the Social Democracy, which it has suffered from ever since it adopted that orientation from the British Socialists in the late 19th Century: Never address the real source of economic-financial collapse; only call for charity to "compensate" for some of the disasters caused by the wrong-headed policies.

CAMPAIGN 2008

## The Rudy Bomb—Defused

by Anton Chaitkin

When *EIR* set out to probe the background and official performance of Republican Presidential “front-runner” Rudolph Giuliani, a picture presented itself, taken easily from public sources—a picture startlingly at odds with the mass media’s absurdly heroic portrait.

Missing from the media portrait were: the Giuliani Family as Mafia; his unrelieved gangster-like assault on the poor as Mayor of New York City; his corruption-ruined communications system at the World Trade Center on 9/11; the obscenity of his milking that disaster: all this is waiting to be discovered by any casual inquirer, waiting to explode his candidacy. So the obvious question follows: What is the thinking of the powers who are sponsoring him?

The answer may involve Rudy’s successor as Mayor of New York: Michael Bloomberg.

Lyndon LaRouche put it this way:

“The build-up of former New York Mayor Giuliani as a ‘hot prospect’ for the man to beat Hillary Clinton in the coming U.S. Presidential election, was a crafted set-up, designed ... for the present New York Mayor to emerge, as if ‘miraculously,’ as Senator Hillary Clinton’s really intended Republican challenger.

“All of the relevant Republican king-makers had known fully in advance of the scandal which would bring Mafia creation Giuliani down, using the case-in-preparation against Bernard Kerik to spring the trap being set against Giuliani. To make Mayor Michael Bloomberg a serious contender, Giuliani had to be brought down, but only after ... Giuliani’s brief trip to euphoria had cleared the deck.... [Bloomberg would be] a ‘man on a white horse’ ... ‘People’s Choice’ ... a politically saleable product under the presently shattered reputations of both the Republican Party, and a Pelosi-discredited Democratic pack.

“Giuliani must be built up to the degree that his sudden,

disastrous fall into a political ‘Black Sox’ scandal, would wreck [and] ... discredit both Giuliani and all his leading current rivals for the Republican nomination. That is exactly what has been done, as (obviously) pre-scripted.

“The standard, expert method for bringing a dictator, such as Mussolini or Hitler, to power by popular acceptance of a duped electorate, is to stun that electorate with a shocking scandal against the leading, existing party systems....”

We intend to help make such an outcome impossible, by reporting, “prematurely,” what would have inevitably come before the general public.

### Those Who Made Rudy

Early on in his crime career, Harold Giuliani, Rudy’s father, was sent to Sing Sing prison for armed robbery. As reported by Wayne Barrett in his 2000 investigative biography, *Rudy!*, Harold Giuliani and an accomplice held up a milk deliverer in Manhattan on April 2, 1934. The indictment charged that Harold pressed his pistol up against the milkman’s abdomen to get his money.

Barrett reports that the victim changed his story a week later, saying it was Giuliani’s accomplice (never identified) who had held the gun. Prosecutor Louis Capozzoli told the judge, the “milkman ... was visited at about four o’clock that morning by several people who threatened him. Then he said he thought this fellow [Giuliani] ought to get a break.”

So the charge was reduced to third degree armed robbery, and Rudy’s father was sentenced to only two to five years. Harold served one year and four months, was paroled, and married Helen D’Avanzo. Rudy, their only child, was born in 1944.

By Barrett’s account, Harold Giuliani went to work in 1948 for Helen’s brother Leo D’Avanzo, as an enforcer for Leo’s loan-sharking, numbers, and other betting operations.



Department of State

*The Republican king-makers knew, well in advance, that the Kerik scandal would bring down Mafia creation Giuliani. Shown, Mayor Rudy giving a briefing, on the first anniversary of 9/11, with Fire Commissioner Tom Von Essen (center) and Police Commissioner Bernard Kerik (right).*

Harold broke legs and beat people with a bat, collecting large sums. The family crime business was based in Leo's Brooklyn bar, employing more than a dozen numbers runners.

In 1962, Harold and his brother-in-law Leo, and Leo's son Lewis, drove to the headquarters of rival mobster Mickey Scans where there was a shootout. They were then punished by the Mafia overlords because their rival was a "made" man.

Harold's nephew and crime cohort Lewis D'Avanzo (Rudy's first cousin) forged documents and apparently carried out murders, in a giant car-theft scheme under the Luchese crime ring. In 1977, D'Avanzo was shot to death by the FBI, when he tried to run his car over an arresting agent.

Harold's son, Rudy, who became a lawyer and prosecutor, was nominated in January 1981 as Associate Attorney General for the Reagan Administration. His father, Harold, died in April, as Rudy's confirmation was pending before the U.S. Senate. In its standard interview, the FBI asked him if anything in his background might cause embarrassment if revealed. Rudy said no.

In 1982-83, Rudy applied to become U.S. Attorney for the Southern District of New York. Organized crime lawyer Roy Cohn placed his law partner Tom Bolan on the screening panel created by Cohn's friend, Sen. Alfonse D'Amato, for whom Bolan had been a longtime advisor. D'Amato then sponsored Rudy's candidacy, and Rudy was installed in June 1983 as

U.S. Attorney. That same month, Mario Gigante—a client of Roy Cohn and brother of mob boss "Chin" Gigante—was sentenced to prison for loan-sharking. A year later, D'Amato phoned Rudy to suggest that the government should go easy on Gigante. Judge Charles Stewart approved, without comment, a two-year reduction in Mario Gigante's prison term. Vincent "the Fish" Cafaro, on orders from mob boss Chin Gigante, thereupon delivered a \$175,000 cash payment to Cohn's office, according to Barrett's *Rudy!*.

In 1985, D'Amato again contacted Giuliani, this time, to ask him to drop pending charges against Paul Castellano, alleged chief of the Mafia's "National Commission." Castellano was granted bail, only to be assassinated, according to Barrett's account.

### **...And Those Rudy Made**

The lessons of his father's Mafia jungle experience echoed in the savage character of Giuliani's mayoralty campaign, with its police riot, and in his subsequent war against the city's poor and homeless.

Bernie Kerik saw this from the inside,

and described it in his autobiography, *The Lost Son*.

Bernard Kerik, Giuliani's former bodyguard, whom Rudy raised to Police Commissioner and pushed unsuccessfully for U.S. Homeland Security czar, was indicted Nov. 8, 2007, on charges of tax fraud, obstruction of justice, and lying to officials who were checking his background.

In *The Lost Son*, Kerik looked back, and related his amazement, in 1994, that Mayor Giuliani was appointing him as a high official. Giuliani led Kerik to a dimly lit room where the Mayor's top aides were assembled.

Peter Powers, Rudy's first deputy mayor, kissed Kerik on the cheek. Powers had been Rudy's friend from their boyhood days, Papa Harold's leg-breaking era. Kerik wrote, "Next was Randy Mastro, the mayor's chief of staff. He did the same. In this dark sitting room, one by one, the mayor's closest staff members came forward and kissed me. . . . I know the mayor is as big a fan of *The Godfather* as I am, and I wonder if he noticed how much becoming part of his team resembled becoming part of a Mafia family. I was being made. I was now a part of the Giuliani family, getting the endorsement of the other family members, the other capos. We all sat up drinking wine until two-thirty in the morning, celebrating. . . ."

Kerik is charged with accepting \$255,000 worth of construction work on his home from the mob-connected Interstate Industrial Corporation that sought to do business with the city; and then lobbying for the company with officials who

were charged with licensing the company and awarding it the city's waste-disposal business. Interstate employed Kerik's brother, and the company had bought a garbage transfer station from Mafia soldier Edward Garafola, the stock-fraud partner of Interstate employee Larry Ray, who had paid for Bernie Kerik's wedding.

According to mobster testimony at a Gambino crime family trial, Interstate regularly paid off organized crime outfits for protection of the firm's non-union pay rates for its workers. Along the way, the mob-linked Interstate hired former Giuliani deputy mayor, Randy Mastro, to alert them if they were getting involved with the Mafia—as had been Mastro's official assignment inside the Giuliani administration!

Giuliani made Kerik Police Commissioner in 2000. After the 2001 attacks, Kerik took over an apartment donated for recovery workers at Ground Zero, using it for trysts with girlfriends. One of them was Judith Regan, whose publishing company produced Kerik's autobiography.

Kerik later became a partner in Giuliani's consulting and lobbying firm, Giuliani Partners, along with others from Kerik's induction into Giuliani's inner circle, such as Anthony Carbonetti, whose family had been closest to Rudy's father, enforcer Harold Giuliani. The media credits Carbonetti with knowing everything there is to know about Rudy; he is now general manager of Rudy Giuliani's Presidential campaign.

### **Police, Firefighters, and the War on the Poor**

According to Giuliani's ruthlessly self-cultivated public image, he saved New York from crime, and masterfully guided the city through the Sept. 11, 2001 terror attack. Those who know say otherwise.

Having lost a 1989 mayoral election to David Dinkins, Giuliani pulled out all the stops, to make sure he would win the next mayoral election. In September 1992, Rudy went into a volatile rally of mostly white policemen, who were protesting against the African-American mayor's efforts to curb alleged police brutality. Rudy repeatedly screamed that Dinkins' actions were "bullshit," inciting a riot, with cops blocking the Brooklyn Bridge and beating up journalists. Giuliani got enough white votes for his election as mayor in 1993, and severed the black-white collaboration that all previous mayors had sought to maintain.

Mayor Giuliani brought in William Bratton as Police Commissioner; Bratton implemented a crackdown on "quality of life" offenses such as subway fare-beating, graffiti, and panhandling. The homeless were incarcerated, or concentrated in camps, while funds for affordable housing were cut. The FBI reported a drop in serious crime during the 1990s all over the country, but Giuliani boasted that he alone had crushed crime in New York by his tough policing. The media celebrated Bratton as the victor over crime, and Rudy fired him.

Bratton was interviewed on screen for a 2005 documentary film, *Giuliani Time*, and suggested that Rudy did not do much more than promote race conflict by encouraging police

to attack black people. The cases of Abner Louima, savagely beaten and sodomized in a police station, and Amadou Diallo, who was fired on 41 times as he stood unarmed inside his apartment building, are among the more well-known cases of hundreds typifying "Giuliani Time" in New York. Former Mayor Ed Koch also appears in the film, equating Giuliani to the sadistic Roman Emperor Caligula, and to murderous dictator Augusto Pinochet.

Rudy boasts that he cut half a million people off New York's welfare rolls. His policies of policing the poor, and erasing them economically, followed the line he received when he put himself, as mayor, under the direction of the Manhattan Institute, the think tank set up in 1977 by Briton Antony Fisher, an extension of the globalist bankers' Mont Pelerin Society which created Margaret Thatcher's program.

The Manhattan Institute's Myron Magnet appears in *Giuliani Time*, claiming that the destitute were better off without their previous subsidies for food and housing; they have probably gotten jobs in the underground economy, and are on their way to riches, and there are no seriously poor people in America. But the children driven out of school by hunger, and the men doing forced labor ("workfare") in place of salaried employees, testify eloquently, on camera, against the Institute's madness.

Giuliani became a lame duck after two terms, falling apart in 2001. He announced he had cancer, was having an affair, and was leaving his wife. He faced mass demonstrations against his brutality, and police protests on his wages-austerity.

Then his calm demeanor in the terror attacks made him a media sensation. He was reborn politically as "terrorism expert," urging the country to wider wars and the unrestrained use of torture.

Yet the International Association of Firefighters issued a video ("Rudy Giuliani—Urban Legend") condemning Rudy for the deaths of the 121 firefighters in the Trade Center North Tower. Not a single police officer died in that collapse, but the firemen had defective radios and never heard the orders to evacuate. Rudy snarled that the fire unionists were partisan Democrats, and testified to the 9/11 Commission that the firemen disobeyed the evacuation order and "stood their ground."

But it was Uniformed Firefighters Association president Tom Von Essen who had led that city union to support Giuliani's 1993 mayoral bid; his members were the poll watchers and phone bank workers who elected Rudy mayor. In 1996, Rudy had made Tom Von Essen Fire Commissioner, and he turned against his own men. On Rudy's behalf, he stifled dissent, so that cries of alarm were not heard. Firemen say of those days, that "if you raised your hand he cut it off, if you spoke up, he cut your tongue out."

When the Trade Center was bombed in 1993, the firefighters' radios did not function inside the tower, as a 1994 report to Giuliani documented. Seven years later, the radios



Edward Reed

*Waiting in the wings, to step in as the Republican “man on the white horse” Presidential candidate, is billionaire New York Mayor Michael Bloomberg (right), who like his friend, California Gov. Arnold Schwarzenegger (left), is “above the parties,” and ready to impose Mussolini-style fascism.*

had not been replaced. Early in 2001, the Fire Department acquired new Motorola radios on a no-bid contract, radios that had never been field-tested. They were withdrawn from use a week later after a fire-trapped fireman’s mayday call went unheard.

On Sept. 11, 2001, the same radios that failed in 1993 were in use again at the World Trade Center. Fire chiefs gave the order to evacuate 56 minutes before the North Tower collapsed, then gave another evacuation order, after the South Tower fell, 29 minutes before the North Tower went down. Both orders were unheard. Fire Department radios could not connect to the Police Department radios, and Giuliani never set up a common command post for the two forces after his original center—foolishly located inside the Trade Center itself—went dark. The 121 firemen died, disconnected from leadership.

After leaving the mayor’s office, Rudy created Giuliani Partners, bringing in Tom Von Essen. Among their first and most lucrative clients was Nextel, with equipment from a single vendor: Motorola. Giuliani lobbied the government to follow the Nextel/Motorola plan for overcoming Nextel’s tendency to block all other wireless signals. New York city councilman Eric Gioia announced on Nov. 1, 2007, that he was launching an investigation of the entire radio scam of the Giuliani administration, while the cozy relationship with Motorola continued even after the 9/11 catastrophe.

### **The Set-Up Is Put in Place**

Public promotion of New York Mayor Michael Bloomberg as a Presidential candidate began with a meeting Aug. 2, 2006, in the home of hedge fund plutocrat Michael Steinhardt. Billionaire Bloomberg, a political changeling, who went from being a lifelong Democrat, to a Republican (for the mayoral election in 2001), to an independent (in June

2007), obviously seemed like the perfect candidate.

Like Giuliani, the son of a Sing Sing convict (whose father sponsored his first financial speculations with Meyer Lansky mob loot), Steinhardt decided to activate his connections for Bloomberg. With financier Felix Rohatyn, Steinhardt was the de facto founder of the right-wing Democratic Leadership Council (DLC). At a dinner meeting Aug. 2, Steinhardt-Rohatyn pet, DLC chief executive Al From, explained for Bloomberg and his staff the logistical considerations for a Presidential race begun as a “dark horse,” after the main contenders would have been deflated.

This established the billionaire Mayor Bloomberg as a replacement for Steinhardt and Rohatyn’s former DLC project for wrecking the Democrats, a “Bull Moose” third party ticket of John McCain and Joe Lieberman. Following the meeting, Steinhardt ardently pushed the Bloomberg ploy around Wall Street. The *New York Times* reported Aug. 4 that “Mr. Bloomberg’s plans” were “making converts among monied New Yorkers....”

On Aug. 8, six days after the initial strategy session, Senator Lieberman lost the Connecticut Democratic primary to anti-war candidate Ned Lamont. Lieberman began running as an independent against the Democrats, on a straight Dick Cheney permanent-war and dictatorship platform. On Aug. 9, Bloomberg announced his support for Lieberman. Between that time and the November election, Bloomberg ran fundraising efforts for Lieberman and dispatched top staff members and political aides from New York, who directed Lieberman’s get-out-the-vote, polling, and media-consulting operations. Lieberman said that, “no one in public life has done more for me in this campaign than Mike,” and his reelection helped Democrat Rohatyn and his Republican financier cohort George Shultz make Congressional Democrats cower before Bush and Cheney.

Michael Bloomberg and Felix Rohatyn together spoke before the financiers’ Manhattan Institute Nov. 1, 2007. Bloomberg thanked the Institute for giving the policing and welfare reform programs to Rudy Giuliani, programs which Bloomberg says he is continuing.

Bloomberg’s homage to the Institute may be an answer to the trillion dollar question asked by columnist Richard Cohen Nov. 13 in the *Washington Post*.

Lauding Bloomberg as a savior, Cohen wrote “what animates ... the hope of a Bloomberg candidacy is the utter failure of the current political establishment to deal with ... the immense problems facing us... [The] crisis on Wall Street ... cannot even be gauged.... Not even the financial institutions ... knew what was happening or know ... what is now happening.” Then the question: “Just who will be stuck owning worthless paper based on worthless mortgages secured by nearly worthless houses is still unknown.”

In sum, it would seem to be unlikely that Giuliani could deliver what the financier oligarchs hope their colleague Bloomberg can give them.

# The Republican-for-Roosevelt League

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*Franklin Roosevelt described the cooperation needed between the Executive and Congress to save the nation. Pamela Lowry reports.*

*In the closing week of his first campaign for President of the United States, Franklin D. Roosevelt addressed the Republican-for-Roosevelt League on Nov. 3, 1932 in New York City. This group of Republicans, composed mainly of owners of small- and medium-size businesses, had rejected the do-nothing policies of President Herbert Hoover and his Treasury Secretary Andrew Mellon, policies which had turned the stock market crash of 1929 into the deep depression of 1932.*

*Describing a situation which would be instantly recognized by Americans of today, Roosevelt highlighted the ascerbic and stalemated relations between President Hoover and the Congress, and offered, in contrast, the dedication to the general welfare which should have been common to both the Executive and Legislative branches. When he gave the speech, Roosevelt had been the Governor of New York for four years. During the early years of the Great Depression, he had developed, on the state level, many of the programs which were later to become part of the New Deal. He drew on that experience in telling his Republican supporters what had to change, in order to restore America to its mission.*

*Here are excerpts from the speech:*

I am here tonight at the invitation of a group of public-minded citizens who have placed principle above party. These citizens, whose past affiliation has been Republican, have publicly declared that they consider that a change in the administration of this Government is necessary, that it is, in fact, indispensable to a restoration of normal conditions. And so, on such an occasion it is fitting for me to speak as a citizen rather than as a partisan. . . .

It is necessary, first of all, for us to recognize the simple fact that, apart from the occasional judicial interpretations relating to Government, we have in Washington, as in all the States, two constant factors which are working year in and year out, side by side, and in constant contact with each other—in the case of States, the Governor and the Legislature, and in Washington, the President and the Congress.

Many unthinking people have inveighed against the Congress in every generation of our Republic, little realizing that they are striking at the very fabric of our Constitution. If they would but think for a moment, they would realize that if we were to eliminate the Congress of the United States, we would automatically cease to be a Republic.

The real purpose of the Constitution was based on the rightful assumption that the President and the Congress would be sufficiently right-minded, sufficiently practical and sufficiently patriotic to make every effort to cooperate the one with the other. It is not an overstatement either of the fact, or of the opinion of the American public, to say that the present Chief Executive of our Nation has shown a singular lack of ability to cooperate with the Congress. I am not speaking only of the past eleven months since the House of Representatives became Democratic by the margin of a handful of votes. I am speaking also of the previous two and one-half years, during which time the Congress in both of its branches was controlled by the same party to which the President himself belongs. From the earliest days of the special session which he summoned in the spring of 1929, the relations between the Capitol and the White House have, to say the least, lacked cordiality, understanding and common national purpose.

Let me make it clear that I do not assert that a President and the Congress must on all points agree with each other at all times. Many times in history there has been complete disagreement between the two branches of the Government, and in these disagreements sometimes the Congress has won and sometimes the President has won. But during the Administration of the present President we have had neither agreement nor a clear-cut battle. Either would have cleared the atmosphere and would have been far preferable to the smouldering ill-feeling that has prevailed during the past three and one-half years in Washington.

I believe that I have the right to point out my own conception of the relationship between an executive and a legislative body. I have served as a legislator and as a Chief Executive. I believe that from the point of view of a Governor or a President, his relations with the legislative body can be based on cooperation. The fact is that with the great majority of problems mere partisanship should, in so far as possible, be kept in the background. In meeting this great majority of problems, they can and should be treated primarily from the point of view of national good rather than of party good. Let me add that in the case of most reconstruction legislation, there ought to be no great difference in the policy of the two great political parties.

We are all influenced by our personal experiences. For



FDR Library

*Franklin Roosevelt campaigns in Albany, N.Y., in 1932. He appealed for—and received—bipartisan support.*

four long years, as Governor of New York, I have been faced by a Legislature Republican in both of its branches. From the beginning, I have worked on the assumption that the members of this Legislature were human beings, that they were patriotic, and that most of our State problems could best be solved by cooperation between them and myself. We have differed on certain matters of fundamental policy. In those cases, I have given them battle. Sometimes they have won, sometimes, and I think in the majority of cases, I have won; but in all these cases, we have had good, clean, open fights. And the people have known the full story of each case.

But, when the problem has been one affecting human welfare, the Legislature and I have always ended by sitting around a table and getting something practical done. That was the history of the labor legislation in this State during the past four years—of the legislation for the improvement of our hospitals and our prison system, of the legislation that enacted that old-age security law, of the legislation that made this State the leader among all the States in providing unemployment relief. In the latter case, I called a special session. I proposed a bill, the Republican leaders proposed another bill, and we had a good old-fashioned “knock-down and drag-out” fight. Finally, we sat around a table; I met them 20 percent of the way, they met me 80 percent of the way; they passed the bill, I signed the bill; the relief work was started, all in less than a month. Contrast that with the fact that it took the Congress six months to get the President to see that such measures were necessary in the Nation as well. . . .

One final point on this subject of cooperation. It seems, of course, fairly obvious that the next Congress of the United

States will have a majority of Democrats in both its branches. Any child can understand that it will be easier for a Democratic President to cooperate with the next Congress than it would be if the present Chief Executive were reelected. But, let me at the same time add this in all seriousness and from my heart. I honestly believe that even if the Congress of the United States were to be Republican in one or both of its branches, I could get along with it better than the gentleman who is running for President on the Republican ticket.

The great issue this year is national, comprehensive and humane. I have painted it with broad lines because it is a program for a great Nation. That is why, from the beginning, insisting upon the principle of a new deal, I have invited to join our cause Republicans who believe that this country needs the tonic of a new alignment of party loyalties, a new and enlightened support of our national faith.

This country needs the tonic effect of such a reiteration of American principles. It calls to its service with particular emphasis the independent and courageous spirits who are willing to leave the household of a betrayed faith, who are asking for substance, not shadows, who are seeking for truth, not names for truth.

In speaking for the common purposes of all of these forward-looking men and women I have, I believe, avoided the delusion that this is a campaign of persons or of personalities. To indulge in such a fantastic idea of my own individual importance would be to betray the common hope and the common cause that has brought us all together this year. A great man left a watchword that we can well repeat: “There is no indispensable man.”

But there are indispensable principles without which Government cannot serve its purpose. These are the principles of fair and open dealing with the public, of using the great powers of the Government to serve no mean party advantage, of keeping promises made to agriculture and labor, of friendly relations between the Executive and the Legislature, of economic peace with foreign Nations, of protection for those who must entrust their savings to others, of social justice for all, and relief for those who are in need.

Reducing it to all the essentials of my speech of acceptance, we want to get for the American people two great human values—work and security. To achieve this end I invite you all. It is no mere party slogan. It is a definition of national need. It is a philosophy of life. I repeat it with a courage lent by the knowledge that I speak a philosophy of Government as well—the ideals which have made us and kept us a Nation.

## House Mortgage Bill Ignores the Problem

On Nov. 15, the House voted 291 to 127 to pass a bill sponsored by House Financial Services Committee chairman Barney Frank (D-Mass.) and Rep. Brad Miller (D-N.C.) to reform and provide accountability for mortgage practices, and to provide minimum standards for consumer mortgage loans, among other things. The large, bipartisan vote demonstrates the fear that the foreclosure crisis has inspired in both parties, but the bill includes nothing resembling the kind of firewall protection for homeowners and banks that has been proffered by Lyndon LaRouche with his Homeowners and Bank Protection Act, which is the only solution to the crisis.

That the bill was not intended to help those homeowners who are in trouble now, was stated at the outset of the debate by Frank himself, when he told the House, "What we have today is a bill that cannot undo what happened but makes it much less likely that it will happen in the future."

The amendments offered during the debate by both Republicans and Democrats were mostly aimed at tweaking the provisions in the bill. The White House has not threatened to veto the bill, but it did complain that the bill "unduly restricts" access to credit.

Earlier in the day, Republicans blocked action on a bill modernizing the Federal Housing Administration, even though the Senate banking Committee passed the bill on a 20 to 1 vote. Senate majority Leader Harry Reid (D-Nev.) told reporters afterwards, "We have a crisis out there," and then he listed a series of measures that the Democrats are proposing, which, like the House bill, will have a minuscule impact. The most substantial proposal is a

provision for \$200 million in the fiscal 2008 appropriations bill for the Departments of Transportation and Treasury, which will go to non-profit organizations to provide foreclosure counseling. The non-profits, said Sen. Patty Murray (D-Wash.) "are being inundated with these families who are trying to figure out how to deal with the personal impacts of this."

Other proposals put forward by the Democrats are worse than useless. They include tax and bankruptcy reform measures that would help homeowners renegotiate their mortgages under certain circumstances. One, sponsored by Sen. Charles Schumer (D-N.Y.) would increase the authority of Fannie Mae and Freddie Mac to provide more money for refinancings.

## Republicans Freak Out at Tax Increase for the Richest

On Nov. 9, House Democrats muscled through, by a near party-line vote of 216 to 193, a bill that is expected to lower the tax bill for 23 million Americans, but will raise taxes on about 50,000 of the wealthiest class. The bill, sponsored by House Ways and Means Committee chairman Charles Rangel (D-N.Y.), provides for a temporary fix in the alternative minimum tax (AMT), and pays for much of the \$50 billion cost of that lost tax revenue, by treating the fees that hedge fund and private equity managers make, the so-called carried interest, as regular income. It is thus taxed at 35%, instead of at the capital gains rate of 15%.

Democrats repeatedly told the House that that change will affect only about 50,000 people, but collectively, those 50,000 represent \$936 billion in income. That was enough to cause Rep. Eric Cantor (R-Va.), the point-man in

the Republican caucus for the hedge fund lobby, to howl that Rangel's bill "is nothing but a job killer." Cantor repeated the hedge fund mantra that the carried interest provision will kill "mom-and-pop" investment partnerships that create seven out of ten jobs in the country.

Rep. John Conyers (D-Mich.) countered that recent economic growth has disproportionately benefitted the top 1% of income brackets, including through loopholes in the tax code. "This bill will take a step towards ensuring that the wealthy pay their fair share by increasing taxes on private equity managers ... and on multinational corporations who offshore their businesses for the express purpose of tax avoidance."

Republicans are adamant that the bill will not become law with the carried interest provision in it. At the same time, they are blaming the Democrats for waiting so long to take the up alternative minimum tax patch, just as the Internal Revenue Service is about to print the 2007 tax forms. When asked about this on Nov. 15, House Speaker Nancy Pelosi (D-Calif.) simply said, "That patch will happen."

## House Votes War Funding Linked to Iraq Withdrawal

Senate Republicans blocked action on a House Democrat-authored \$50 billion war supplemental bridge bill on Nov. 16. The bill, as passed by the House on Nov. 14, had provided \$50 billion for military operations in Iraq and Afghanistan, significantly less than the \$193 billion that the White House had asked for. It also included language instructing the President to begin the orderly withdrawal of U.S. forces from Iraq, in conjunction with a comprehensive regional stability plan.

The bill set a goal of Dec. 15, 2008, to complete the withdrawal, except for certain anti-terrorism, and other missions stipulated in the bill.

Senate Republicans not only forced a cloture vote on the House-passed bill, but also brought up an alternative funding bill that provided \$70 billion, but without the withdrawal language. Both cloture votes failed, leaving the war funding bill dead in the water.

Senate Majority Leader Harry Reid said after the vote, that the reason President Bush did not have a bill, "is because he doesn't want accountability." Reid vowed that the Democratic-led Congress would not pass any funding bill for the Iraq War without some accountability in it. The next step remains unclear, however. Reid indicated that, even though the Congress will be in session for two weeks in December, the war supplemental bill could wait until after the first of the year for further action.

## **Bush Veto, High Oil Prices Squeeze Energy Assistance**

Funding for the Low Income Home Energy Assistance Program (LIHEAP), which provides grants to low-income households to help pay energy bills, is in limbo because of President Bush's Nov. 13 veto of the \$150 billion appropriations bill to fund the Departments of Labor, Health, and Human Services, and Education. Bush complained that the bill has too much "pork," but included in that "pork" is the \$2.4 billion for LIHEAP.

Testimony delivered to the House Education and Labor Committee a few hours after Bush's veto, made clear that that \$2.4 billion, already more than \$600 million above President Bush's request, is nowhere near enough to pro-

vide the expected needs for this coming Winter. Guy Caruso, the director of the Energy Information Administration, testified that households heating with oil can expect to pay, on average, 26% more for heat this winter than last; households using propane, 20% more; and households heating with natural gas, 11% more than last winter.

The skyrocketing prices also mean that the average LIHEAP grant buys less than it did a few years ago. Mark Wolfe, the executive director of the National Energy Assistance Directors Association, told the committee that in 2003, the average LIHEAP grant was able to pay 36.7% of the heating costs of a household heating with oil, but that has now declined to 20.8%. For natural gas, that percentage has declined from 58.2% to 37.6%, with similar declines for propane and electricity.

Over the same period, the number of households receiving assistance has grown from 4.6 million to 5.8 million (which is less than 16% of the eligible population), and the average grant has actually declined from \$349 to \$305. Wolfe also reported that although most states expect a further increase in requests for assistance this Winter, including from people who have never asked for help before, the states do not have the money to meet this need.

The result in human terms, as Rep. Carolyn McCarthy (D-N.Y.), the chairman of the Healthy Families and Communities subcommittee pointed out, is that some families with children may have to choose between heat and putting food on the table; some elderly may have to choose between heat and buying prescription drugs, or may set the heat at a dangerously low temperature, and so on, with the consequent effects on their health. Agencies that administer the program have more

difficulties because they lack resources to hire and adequately compensate the staff needed to serve households requesting assistance.

## **Democrats Having Trouble Moving Appropriations Bills**

The annual appropriations process was a contentious one, during the last 12 years of GOP control of the House. Rarely did the Republicans get all of the spending bills done on time, and on two occasions, they left the process to the next Congress to be completed. So far, the process doesn't look much better under the Democrats. Not until Nov. 13, 74 days after the start of the fiscal year, did the Democrats manage to get the first bill, the fiscal 2008 defense spending bill, to President Bush's desk. Attached to it was a continuing resolution to keep the government running until Dec. 14.

The same day that Bush signed the defense bill, he also vetoed the bill that would fund the Departments of Labor, Health and Human Services, and Education. The Democrats had tried to use that bill as a vehicle for overcoming the then-threatened veto, by attaching to it the appropriations bill for military construction and the Department of Veterans Affairs, a bill which Bush had pledged to sign. When the bill arrived in the Senate from the House, Senate Republicans successfully challenged the maneuver as a violation of the Senate rules. So, the bill went over to the White House without the VA bill attached to it.

Politically, this has left the Democrats vulnerable to the charge that they are not taking care of the needs of the nation's veterans, and they have not yet given any indication of when they will move the veterans' bill again.

# ‘Starting a Run on the Bank Of a Bankrupt System’

by Paul Gallagher

The \$150 billion outflow from the dollar and U.S. investments in August was called “stunning,” and “incredible,” because it reversed a mass influx of the world’s money into U.S. dollar investments which often reached \$100 billion a month throughout the whole “globalization” era.

But the U.S. Treasury released data Nov. 16 showing that the outflow from U.S. investments continued in September as the dollar continued to fall. Although this time the net loss from U.S. investments was only \$14.1 billion, it included, again, net liquidation of U.S. Treasury and other securities by China, Japan, and the “Caribbean banking centers” of London jurisdiction and control. The British offshore centers’ net liquidation was about \$5 billion in September. The China and Japan net liquidations, about \$3.5-4.0 billion each, are a very small fraction of those countries’ dollar reserve holdings, but it is clear that their massive support of the dollar by absorbing vast quantities of U.S. debt, has stopped.

It had to. The dollar debt assets foreigners were buying included trillions in speculative mortgage-bubble and related securities which are now illiquid, and whose value is collapsing. That’s why the July-August so-called “credit crisis”—actually the collapse of a vast U.S.-centered bubble of unpayable debts—appeared to begin with major losses and failures of banks in continental Europe and Britain.

Even though foreign central banks as a whole, in September, were back trying to slow the dollar’s fall by buying U.S. securities—this “official” capital flow went the United States’ way to the tune of \$13.1 billion for the month, whereas central banks had dumped \$70 billion net in August—the dumping of dollar securities by private corporations and investors was much stronger, a @ms\$27.8 billion outflow.

The dollar has fallen 9% during 2007 against a basket of 16 other major currencies, to record lows. Major dollar

dumping by Asian central banks and investors in July and August was the trigger—though not the cause—for the current systemic collapse which is falsely called a “subprime mortgage crisis,” emphasizes economist and *EIR* founding editor Lyndon LaRouche. LaRouche was warned by Chinese representatives at a reception in June, that the combination of U.S. Senate strategic provocations against China over the Taiwan Strait, and relentless pressure from bankers and Treasury Secretary Henry Paulson for a reckless floating of the Chinese currency, could lead to such a reversal for the dollar. The warning was conveyed by LaRouche, but not heeded. Those who want to call this crash a “subprime crisis,” LaRouche says, are denying the urgent reality that it is not cyclical, but an irreversible reverse-leverage collapse of a globalized financial system based on deindustrialization, destruction of infrastructure, and on huge bubbles of unpayable, illiquid debts. The \$20 trillion mortgage bubble was the latest, and by far, the biggest bubble. These provocations against China merely triggered the process of its collapse, LaRouche says.

CNBC reported Nov. 16 that on state television programs in China, expert investment advisors are telling individual Chinese to get rid of investments in dollars, and go into those in other currencies. This advice is coming along with unofficial forecasts in these media, according to CNBC’s report, that the Chinese currency, the yuan—which has risen 10% against the dollar since 2003—will now appreciate against the dollar by 4-5% a year.

LaRouche noted that this advice is like “starting a run on the bank of a bankrupt system.” The globalization ideologues of Wall Street oligarch Peter Peterson’s International Institute of Economics are getting their constant wish—and it is a chaotic dollar crash.

## Threat of a Global Collapse

In response to a question from *EIR*'s William Jones at a Nov. 14 Washington forum, on whether and how the drastic fall of the dollar was influencing the decisions of the People's Bank of China (PBOC), the Bank's assistant governor Dr. Yi Gang reasserted the PBOC's commitment to the dollar. Yi was speaking at a conference on "Monetary Arrangements in the 21st Century" sponsored by the Friedmanite Cato Institute, at which Fed chairman Ben Bernanke had spoken earlier. Yi said the dollar had to continue as a key component of the country's \$1.4 trillion reserves, because it was "the largest currency that we use" in terms of trade and foreign direct investment, as well as financial clearances and settlements. "It is also a very firm policy for China that the U.S. dollar will be the major currency in our reserves and that policy is very firm."

Yi also referred, without naming him, to the much-publicized comments of National People's Congress standing committee chairman, Cheng Siwei, to the contrary, by saying, "There is some discussion or comment from, maybe, scholars, maybe other persons in China in terms of 'There is a huge amount of adjustment of reserves.' I think that probably is opinion. . . . If they want to express their opinion, that will be fine, we consider it, we listen [to] it, but that does not change our policy."

Yi did, however, say that the Bank would continue to diversify to other currencies' holdings. "The point is, the principle for our diversification and the principle that guides us for these reserves, is that it should be proportional to our real economic transactions—meaning trade, FDI [foreign direct investment] and clearance and settlement."

Since the dollar crash, which had not previously been touched upon in Yi Gang's own comments, was really the elephant in the room at this conference, which devoted much time to the issue of the renminbi, it was picked up widely by the Chinese and international press.

Two days earlier, Japanese Prime Minister Yaseo Fukuda issued an alarmed warning that "the yen is rising too fast" against the dollar, and threatened large-scale interventions by the Bank of Japan. Behind the great concern of both Yi and Fukuda at the dollar's crash, is the threat that it will soon cause inflationary blowouts in Asian economies which are hooked on exporting goods to the United States and buying U.S. Treasury debt securities.

An analysis in the Nov. 13 *Financial Times* by a senior Barclays Bank economist, Tim Bond, noted that the U.S. Federal Reserve is in an impossible bind. On one hand, "U.S. monetary easing [that is, the Fed's two emergency rate cuts in the last two months] is provoking an almost immediate acceleration in inflation" worldwide. The reason, Bond notes, is that the dollar's fall is so steep already, that Asian (and Ibero-American) central banks are having to keep their interest rates low, or lower them, and to print more of their own currencies in order to buy dollars and slow down the dollar drop: The net

effect, is that the hyperinflation the Fed is creating is pumped directly into those other economies, forming speculative bubbles on top of their export growth. So the Fed is threatening these economies with the same super-bubble collapse which has already hit the U.S. dollar and economy. But, wrote Bond, the Fed is, at the same time, under tremendous pressure to do more of the same, because of the credit collapse and banking crisis. So it is pulled hard, in opposite directions, simultaneously.

Bloomberg reports that central banks in Colombia, India, and Korea have already tried to create barriers to dollar investments in their countries, because the dollar is falling so fast.

## An Echo of Weimar Germany, 1923

But feeding the panic of the big banks and hedge funds, the Fed continues to stoke a hyperinflationary outcome. On Nov. 15, with the most recent big credit write-downs and losses among the big banks coming from HSBC and Barclays, and Citigroup now having to pay 2% above the Treasury interest rate in order to borrow, the Federal Reserve made another huge injection of short-term money into the banking system. It was the second-largest one-day injection of Fed funds into the banking system, in U.S. history. Attempts in the financial press to claim that "the worst bank losses may be behind us," were swept away by the signs of urgent need for Fed money-pumping.

"This a 'free-fall' level of money printing," LaRouche commented of the Fed's actions. "This is an echo, though under different circumstances, of the desperate money-printing efforts of the Reichsbank in Weimar Germany, during the hyperinflationary blow-out year of 1923."

According to Reuters, the Fed's \$47.25 billion bail-out injection Nov. 15 was the biggest since Sept. 19, 2001—after the terror attacks—when markets were nearly in free-fall, and short-term lending rates were shooting upwards. Reuters reported that overnight lending rates were rising again in recent days in both the United States and Europe. Citicorp had to pay the highest interest rate in its history, 6.125%, to issue a bond.

The following day, Goldman Sachs chief U.S. economist Jan Hatzius issued a chilling estimate of the fall in the banking system. He forecast that U.S. bank losses in the next year or so would be \$400 billion (a very similar estimate had just been made by Deutschebank's chief economist). Just assuming that half of these losses are in highly leveraged assets (where there was a 10:1 ratio of borrowed dollars in the money used to buy the assets), Hatzius forecast that the total drop in the ability of the banks to lend, will be \$2 trillion. For comparison, in 2006, the total lending of U.S. banks to households and non-financial corporations was \$3.24 trillion, according to the Federal Reserve.

In dramatic understatement, Hatzius called the result "a substantial recession."

# A Huge Step Forward For Integration

by Cynthia R. Rush

Speaking from Santiago, Chile on Nov. 10, Ecuadorian President Rafael Correa announced that the Bank of the South, a new regional financial institution with eight founding members, will be officially established on Dec. 9 in Buenos Aires, not in Caracas as originally planned.

The date and location of the founding ceremony are extremely significant, given that all of Ibero-America's heads of state will be gathered in the Argentine capital to attend the Dec. 10 inauguration of Sen. Cristina Fernández de Kirchner as President. These two events together will provide an opportunity for a meeting of the informal Ibero-American "Presidents' Club," the group of leaders whose coordination has been crucial over the past few years in advancing the agenda of regional integration, and forging such initiatives as the Bank of the South.

The Bank's founders envision it as an alternative to the International Monetary Fund's usurious policies, a fact which has badly rattled financier banking factions on Wall Street and the City of London. Its primary purpose will be to finance large infrastructure projects, without the austerity conditionalities that the Fund normally attaches to its loans. Regardless of the size of member countries, each will have one vote, and for the moment, member nations will contribute the amount of funds they are able to.

The founding "will be an enormous step forward for the integration of Latin America, and above all for South America," Correa said, "to finance our own development projects and not the remote-control ones such as those imposed on us by the World Bank, which bankrupted us."

## What Will the Bank of the South Be?

As the newest member of the Presidents' Club, Senator Fernández has vowed to play an activist role in the region, just as her husband, outgoing President Néstor Kirchner, has done. This has hardly endeared her to the financier interests, who have deployed their own assets throughout the region to sabotage the Bank's founding, or to make it a watered-down version of the truly independent institution its strongest backers want it to be.

Against the backdrop of the accelerating global financial crash, Fernández takes office in the midst of an intense battle as to exactly what the bank will be, and how it will function.

Take the Brazilian case. As South America's biggest and most diverse economy, Brazil's participation in the Bank is



[www.presidencia.gov.ar/](http://www.presidencia.gov.ar/)

*Left to right: President Rafael Correa of Ecuador, outgoing Argentine President Néstor Kirchner, and Sen. Cristina Fernández de Kirchner, who will be sworn in as Argentina's new President on Dec. 10, are among the members of the informal Ibero-American "Presidents Club," who have promoted the founding of the Bank of the South.*

vital to its success. The Lula da Silva government made the decision to be part of the project—not joining was not an option—but at the same time has done little to restrain those financial interests, including domestic agents of Spain's British monarchy-linked Banco Santander, that want to limit it.

Similarly in Chile, banking interests represented by Foreign Minister Alejandro Foxley, a former IMF official and finance minister, have made every effort to keep Chile out of the Bank of the South. Their argument is that, were Chile to join forces with so-called economic "populists" like Venezuelan President Hugo Chávez, one of the Bank's early promoters, Chile's status as a free-market paradise, and close U.S. ally, might be jeopardized.

But Chile's "paradise" status is already crumbling under the weight of the global financial meltdown. And President Michelle Bachelet has sent delegates to attend the several ministerial-level planning and technical meetings that have occurred this year, leading up to the Bank of the South's founding. Financier interests also worry about Bachelet's close personal friendship with Argentina's new President—they enjoyed a warm meeting Nov. 8 in Santiago—fearing that at some point, she may decide to come on board the project, just as another U.S. ally, Colombian President Alvaro Uribe, has recently done.

Meanwhile, Presidents Correa and Kirchner are providing important leadership in defining the existential issues facing the continent as it creates this new institution. In his Nov. 9 speech before the 17th Ibero-American heads-of-state summit in Santiago, Chile, Kirchner raised the question of which model Ibero-America will follow.

"It is very important that we work to deepen common policies," he said. "But, let us dare to speak of building the model *that the region needs*. Let's start creating the teams, and generating the necessary debate, because if we are able to articulate a *joint model* ... without abandoning each country's

individuality, we will be giving real force and real encouragement to social cohesion, to the cohesion of the region, and most importantly, to Latin America's cohesion."

The free-market model, the "invisible hand" of Adam Smith, brought only misery to Argentina and Ibero-America in the 1990s, he said. "We destroyed our entire productive structure, all our industry ... we were driven to the brink." Ibero-America needs a model "based on income distribution ... an industrial model that coexists with production and agriculture, but a model with *strong industrial roots*."

Pluralism must be respected, Kirchner said, but the model must have "content" and "principles," so that Ibero-America can consolidate an "alternative proposal," rather than the uniform and arbitrary one that international lending agencies imposed on the region, and that subjugated its people.

The region must "always take many steps forward," Kirchner concluded, "but never one step back ... because we know what happened to us" in the 1990s heyday of neo-liberalism, and that will never again be an option for any of our nations.

### **Kick Out the 'Modern-Day Money Changers'**

President Correa made a similar point, speaking Nov. 9 before the Third Ibero-American Civic and Business Conference, which occurred on the sidelines of the Ibero-American heads-of-state summit in Santiago.

As in his speech to the summit, Correa scathingly denounced the predatory looting practices that free-market ideologues, who called themselves "businessmen," applied in Ecuador and in Ibero-America in the 1990s, leaving destruction in their wake. But now, he underscored, "it's time for the real businessmen ... those who bet on the nation and its future, to throw the modern-day money-changers out of Latin America's temples."

As he told the heads of state summit, "the long night of neoliberalism" made "egotism" and "competition" values which defined a way of life. But, he warned, Ibero-America "shall never find social cohesion as long as we are subjected to the entelechy of the market, where the poor are considered only to be 'collateral damage' ... We can only speak of social cohesion, when we consecrate the rights of the majority."

In separate remarks in Santiago, Correa also polemically attacked as a form of "pimping," the practice that most central banks have of depositing a nation's foreign reserves abroad. Currently, \$450 billion of Ibero-America's reserves are deposited outside the region, "supposedly for security reasons," he said. In fact, "we are financing the United States!"

In the case of Ecuador, he said, "this is a case of Ripley's 'Believe it or Not!'" The "autonomous" Central Bank has deposited our reserves, which are largely public-sector deposits, in Miami! "Those national savings should instead be invested in our refineries and dams, but instead, those brilliant Central Bank technocrats have invested them abroad, and we can't touch them, because [the bank] is autonomous, by law." Correa warned that once the Constituent Assembly goes into session, "all this will change."

## **LaRouche Rep Addresses Italian Entrepreneurs**

by Our Wiesbaden Staff

On Nov. 10 in Rome, Claudio Celani, an Italian representative of Lyndon LaRouche, was the main speaker on the second day of the national congress of *Giovani Imprenditori* (Young Entrepreneurs), the youth section of the National Association of Small Enterprises (Confapi). Attending were about 170 delegates, up to age 40, all owners or managers of small- to medium-sized enterprises, from all the Italian regions. The two-day congress featured debates and interviews with leaders from all the political parties, along with Mrs. Catia Polidori, chairman of Confapi *Giovani*, and economist Massimo Lo Cicero.

The theme of the congress was "Risk and Taxes," highlighting the plight of the industrial entrepreneur in a world hostile to industry and technology. The meeting was conceived as a challenge to the political establishment to defend independent industrial activities, i.e., those who have the full burden of investment risk, but no protection.

The event took place in the midst of political turbulence, including a jacobin assault against the "Palazzo" (the Government and Parliament) by oligarchical media and radical movements. In many respects, this climate is similar to that which prepared the ground for the rise of Mussolini's Fascism in 1922, with worsening conditions for most of the population, and the inability of the political class to break out of an agenda dictated by the oligarchy, which, on the one hand, ensures the worsening of the crisis, and on the other hand, discredits the political class as such.

The dissatisfaction of the *Giovani Imprenditori* with this state of affairs was made clear in the opening speech of the congress, by chairman Catia Polidori, as well as in the way she confronted the political leaders on the podium. At the same time, the entrepreneurs are aware of the jacobin danger, and their effort is aimed at defending institutions by "kicking them in the rear," so to speak.

Typical was the episode that involved Deputy Prime Minister Francesco Rutelli, who hosted the first day of the congress. Polidori, referring to Rutelli's past as a radical environmentalist, asked him: "You were once a demonstrator against nuclear plants. What made you change your mind? Can you explain that to us?" Rutelli, who is currently balancing between his past, and a current bid for "moderate" votes, fell into the trap. He began musing about the difference between "ideology" and "reality," admitting that, in fact, he is only in favor of "research" into how to build better nuclear plants, but not of building them now.



Francesco Caprioli

*Lyndon and Helga LaRouche visit a school for engineers in the shoe business in Ascoli Piceno in 2000. Italy's small and medium-sized industry is suffering, in a world hostile to industry and technology.*

## Reviving Nuclear Energy and the 'Land-Bridge'

Nuclear energy was prominently addressed in Celani's presentation the next day, in the presence of a prominent array of national political leaders, including former Foreign Minister Gianfranco Fini, Deputy Parliament chairman Pierluigi Castagnetti, Deputy Minister of Economic Development Alfonso Gianni, and former DS (Left Democrats) secretary general Piero Fassino.

Celani made a slide presentation, starting with a map of the Eurasian Land-Bridge, and focussing on 1) LaRouche's analysis of the systemic collapse; 2) LaRouche's solution to the collapse, including the "Firewall" concept, the New Bretton Woods and the Continental Land-Bridge project. He "introduced" Lyndon LaRouche, who was already familiar to many in the audience, showing a photo of LaRouche in Rome last September, meeting with the head of the Senate Labor Committee. Celani identified LaRouche as the only economist who has understood the systemic crisis because he looks at the economy as a dynamic thing. All other economists, especially those who have been awarded a Nobel Prize, are discredited because they use linear statistical methods.

He then showed how the Anglo-Dutch system, which has dominated officially since 1971, has destroyed the world economy, and how Fed chairman Alan Greenspan's large-scale introduction of derivatives in 1987, prolonged the life of the bankrupted financial system, but aggravated the situation. Now, the collapse is on, and the only solution is a change of the system.

He went on to illustrate the firewall concept—as developed in LaRouche's Homeowners and Bank Protection Act—the New Bretton Woods idea, and the Eurasian/World Land-Bridge, including high-technology projects such as Transrapid, nuclear energy, etc. He concluded by reminding the audience that in 2005, the Italian Chamber of Deputies had voted in favor of a New Bretton Woods conference, but government institutions in Italy are not sovereign: they are blackmailed by the oligarchy through the use of media and jacobin mobs. Political leaders must therefore reach a non-factional agreement to pursue national interests and involve popular support for big projects; otherwise the nation will be destroyed.

Celani's speech was greeted with applause, and many delegates approached him afterwards to invite him to speak at their regional associations. There were mixed responses from the politicians. Gianni, said that, although he finds some of LaRouche's ideas "eccentric," he agrees with many of them. Nicola Latorre, a senior parliamentary leader of the Democratic Party, attacked "those who believe that Italy can give up industry." UDC leader Bruno Tabacci called for an end to a political system which forces voters to behave like "soccer fans" vs. political parties.

This was the second time in a month that a LaRouche spokesman had been invited to address the Confapi. On Oct. 23, Andrew Spannaus gave the keynote to the founding conference of the Ascoli-Piceno chapter of the group. During that conference, LaRouche spoke by telephone hookup. In his short remarks, LaRouche addressed the issue of the role of small business:

"I would hope that we are defending, effectively, the local industries, which as I emphasized then, I thought would be the best security of the region against what would be hitting Italy as a whole, especially the collapse of the major industries around the northern part of Italy. As you know, then as now, I was very much in favor of large public infrastructure programs for essential infrastructure for nations as a whole, internationally, but with a greater emphasis on smaller, privately held industries, as opposed to giant industries. I'm not against giant industries, but I think a dependency on these industries exclusively is a great source of weakness, and tends to prevent the rational development of local regions within nations."

# States' Budgets Blow as Housing And Credit Markets Crash

by Mary Jane Freeman

The crashing \$20 trillion housing market, which is triggering multi-billion-dollar loan losses and write-downs at America's largest banks, and millions of household foreclosures, is bringing an abrupt halt to the "revenue recovery" most U.S. states had in their 2005 and 2006 fiscal years. County and city budgets, too, will take a beating, as the mortgage and banking blowout expands.

State after state since mid-October has announced revenue shortfalls: California has a \$10 billion shortfall, while Florida, Maryland, and Virginia each called special legislative sessions to deal with \$1 billion-plus budget holes. Rhode Island's deficit doubled from \$200 million to \$400-450 million, its revenue-estimating conference reported Nov. 9. Eight to ten more states, including Arizona and Nevada, which were both formerly hot housing markets, have already announced shortfalls in the \$250-500 million range as well. This news comes after only the first quarter of the new fiscal year which runs from July 1, 2007 to June 30, 2008 for 46 states. Impending disaster on state budgets resulting from this mortgage bubble/banking crisis, is epitomized in the cases of Maryland and New York, which are detailed below.

As this picture shows, only Federal action, as put forward in Lyndon LaRouche's proposed Homeowners and Bank Protection Act, and then the Emergency Recovery Act, can stanch the bleeding.

## Relying on a Bubble

A complex of interrelated relationships exists between the housing industry and the revenue streams of our state and local governments (**Figure 1**). These involve three aspects of the housing sector: the production of homes, the sale of homes, and the property assessment of homes, which contributes a large amount of tax revenue to the budgets of county and local governments. Three parts of the revenue side of the budget are affected: 1) the personal income tax, 2) the sales tax, and 3) the property tax collected against the assessed valuation of homes.

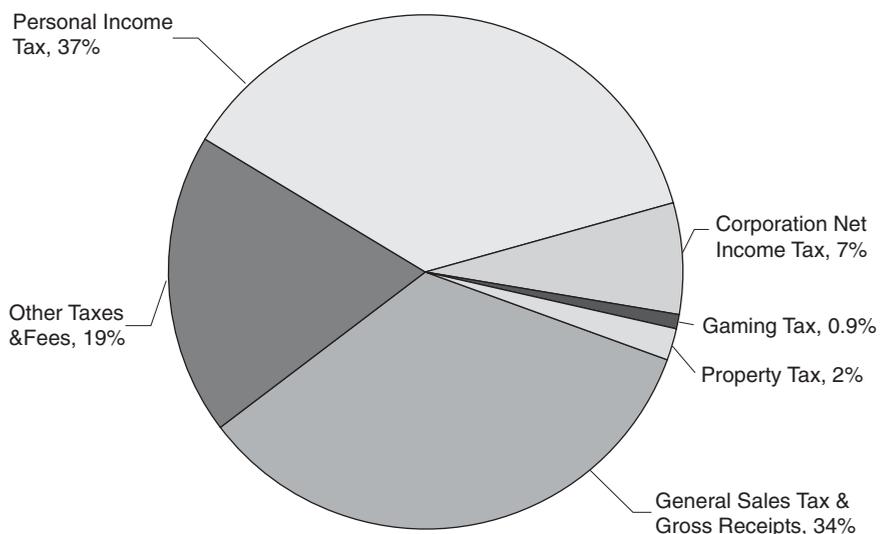
On the question of personal income tax: The production of homes, as well as

home improvements, leads to the employment of construction workers, electricians, plumbers, and others, as well as the workers who produce the cement, bricks, glass, lumber, and steel that go into a home. In most states, and many local governments, these workers pay personal income tax. Individuals who realize a capital gain from the sale of a home, above a certain level, also pay capital gains tax as part of their personal income tax.

With respect to the sales tax: The tax on the sale of residential construction materials represents *one-sixth to one-fifth* of all collected sales tax revenues. The purchase of home appliances, from dishwashers to stoves to air conditioners, for new homes, as well for refurbishing existing homes, also contributes a considerable sum to sales tax. In addition, as *EIR* has documented, between 2001 and early 2007, the practice of cash-out refinancing—the extraction of cash from the inflated value of homes—produced \$400-600 billion in cash per year, a large portion of which was spent on buying consumer goods. This swelled state, county, and local sales tax revenues too.

With respect to property tax: The vast inflation in the price

FIGURE 1  
**State Government Revenue Sources**



Sources: National Conference of State Legislatures, Fiscal Affairs Program; National Association of State Budget Officers; and *EIR*.

of homes led to higher home assessments and property tax payments, which swelled the tax collections of especially county and local governments.

Now, all three aspects of budget revenues, which caused tax revenues to bulge, are vanishing.

The most direct impact is the collapse of sales tax revenues as sales of new and existing homes plummet. The Schwab Center for Financial Research reports that third-quarter 2007 new home sales fell 21.2% from one year ago. Existing home sales in September 2007 were a whopping 19% lower than September 2006, while the full year's 2007 sales are headed to be 12.5% below the 2006 total. The 2008 outlook is worse, the National Association of Realtors reported on Nov. 13.

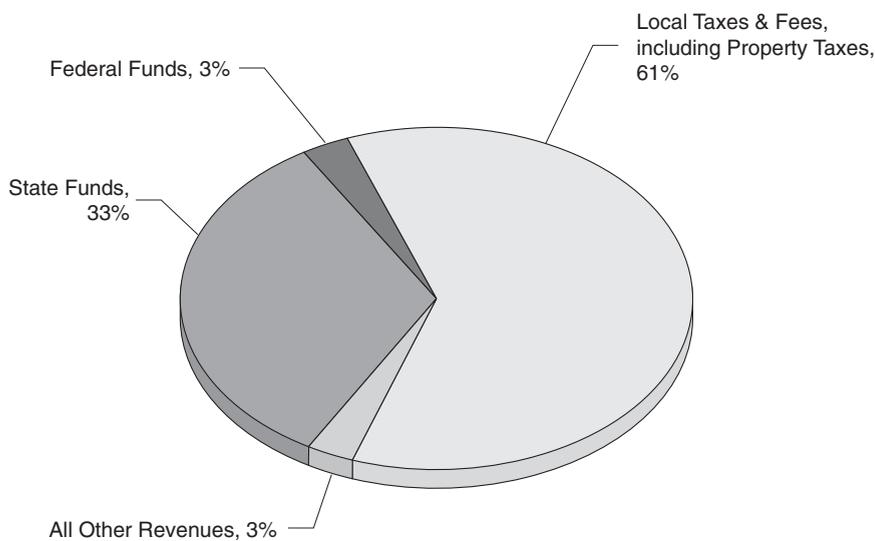
Key to the 2004-07 revenue picture for state and local governments is that, as in the late 1990s, elected officials crafted budgets based on taxing revenues generated from fictitious wealth. Then it was the stock market and IT bubbles, and today it is the housing bubble. In both cases, former Federal Reserve chairman Alan Greenspan deliberately set the conditions upon which these de facto Ponzi schemes would flourish. With the bursting of the bubble in 2000, state budgets suffered multi-billion deficits for years. Now the orchestrated housing boom, with a plethora of exotic mortgage instruments which created unsustainable high-priced land and home values and a building boom, is wiping out state and local budgets by the tens of billions, as it blows apart.

### Revenue Sources Evaporate

A state that epitomizes the most severe impact of the housing market blowout upon revenues, is Florida. The state, which collects no personal income tax, primarily relies on sales tax revenues. As reported on Nov. 6, Florida's new fiscal year (2007-08) was off to a dismal start, with general fund revenues down \$93.5 million from expected revenues. Of that, nearly 84%, or \$78.2 million, results from a sales tax shortfall.

A special legislative session in October, prior to this bad news, was held in order to close an estimated \$1.1 billion revenue gap, expected to hit in the 2008-09 fiscal year. Amy Baker, coordinator of Florida's Economic and Demographic Research Office, which issued the November estimate, quipped, "We don't even have the recovery starting until 2009 now, well into 2009. It's all related to the housing industry." The housing boom has been "the catalyst of everything," with double-digit "growth in values and appreciation and construction starts, and when it evaporated . . . it took the steam out of the economy," she said. Baker was proven right on Nov. 14, when yet another revised revenue estimate was released which

FIGURE 2  
County Revenues by Source



Sources: National Association of Counties and EIR.

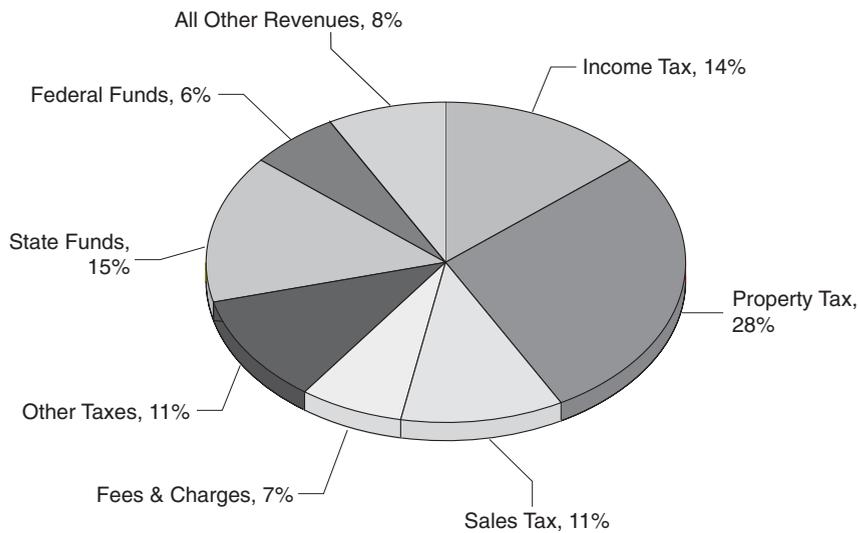
announced a second \$1.1 billion shortfall for the current budget year. Indeed, Florida expects only 93,000 new homes to be built next year, which would be a 65.8% fall in new home starts, from their high in 2005 of 272,000 homes.

The housing crash's impact on counties is just beginning to take hold. Nearly two-thirds of counties' revenues derive from property and sales taxes, as well as fees (Figure 2). Take San Luis Obispo County, Calif. It reported the worst home sales figures in 18 years, with sales of homes purchased with jumbo loans (\$417,000 or more) falling 48.5%, August to September, while those bought with conventional loans fell 12.9%. This is projected to help create a \$20 million budget deficit next year. As the Arizona "hot" housing market crashes, Maricopa County officials reported on Nov. 14 that sales-tax collections have shriveled such that it will likely be \$25-35 million in the red by June 30, 2008—the end of its fiscal year. County Supervisor Andy Kunasek said they budgeted for the "worst-case scenario," but "it appears we weren't as pessimistic as we should have been." Maricopa is imposing 5% administrative cuts and freezing non-emergency spending, in the hopes that it won't have to do more.

Cities' revenues will also begin to collapse as new property assessments catch up with falling property values. Cities derive almost a third of their revenues from property and sales taxes, as well as fees, many of which are associated with home sales and ownership (Figure 3). "If the housing market continues to flatten out or even decline, we're in for some tough times for cities," Christopher Hoene of the National League of Cities said in mid-October. In Michigan, the *Daily Tribune* reported on Oct. 29 that cities in Oakland County "are headed

FIGURE 3

### Municipal Revenue Sources



Sources: National League of Cities and *EIR*.

for an unprecedented financial crisis.” The price of homes sold in the county dropped more than 10% between 2005 and 2006, while sales are “down sharply ... foreclosures are doubling and declines in property values” are accelerating. As equalized property values (home property assessments) catch up to falling market sale prices, county and city property taxes will collapse, hammering local budgets. The Michigan Municipal League’s tax expert and director of state affairs, Summer Minnick, expects double-digit drops in property tax income to cities next year.

### Maryland: Foreclosures Rise

The Maryland legislature continues its special session as of Nov. 15, in an attempt to plug a \$1.7 billion budget hole, which grows wider daily. The current plan is to cobble together a bailout scheme which includes tax increases, \$500,000 in cuts, and several accounting gimmicks. The housing foreclosure debacle will increase the need and demand for public services, just as the legislature and Gov. Martin O’Malley move to impose cuts. The urgent need to expand the resources of the public health sector, for example, is shown by the soaring rate of AIDS in Baltimore, which has developed as economic conditions of life devolved with the “post-industrial society” obliteration of the steel and manufacturing sector there. (See *EIR*, Nov. 16, 2007.)

As in the 2001-02 budget crises, legislators in Maryland and other states are operating on the wrong axiom: belief in the “new economy.” Sustainable revenue growth can only occur if it is tied to the productive, rather than the speculative, economy. Thus Maryland’s former Comptroller, Donald

Schaefer, warned in his final Board of Revenue Estimates report on Dec. 13, 2006, that the state’s housing market had “outperformed” the national trend since 2001, but had then “turned.... Housing-related industries including construction, finance, and real estate will join with a declining manufacturing sector....”

Schaefer’s warning that the housing market driver to the state’s economic growth would become a “drag,” has come true. Already in 2006, the construction industry growth, spurred by booming residential construction, had slowed to 1.7%, compared to an average 4.4% in 2004 and 2005. He projected a further decline to 1.5% in 2007 due to falloff of residential construction. In fact, the Maryland housing bubble has burst. Unsold home inventories climb, foreclosures have soared (**Figure 4**), and sales of single-family homes have plummeted 21% from 2004 to the second quarter 2007 (**Figure 5**).

This decline has made a direct hit on the state’s revenues. As of December 2006, Maryland projected that for the current fiscal year (2007-08), the revenues into the General Fund were to be \$13.45 billion. Of this amount, a full 57% was to be generated from income taxes. Another 27% of the total, or \$3.62 billion, was to be generated from the sales and use taxes’ category.

However, in September 2007, the state revised its revenue figures, estimating that, for the current fiscal year, revenues would be \$133 million lower than the December 2006 projection, due largely to a \$116 million fall in sales tax revenues. Of the total sales tax collected by the state, the construction material sales tax comprises almost 16%. Therefore, the fall in the construction materials’ sales tax would come out to be a minimum of \$18 million. But this is just one aspect of the fall; there are many other parts of the budget where the housing collapse is producing revenue losses.

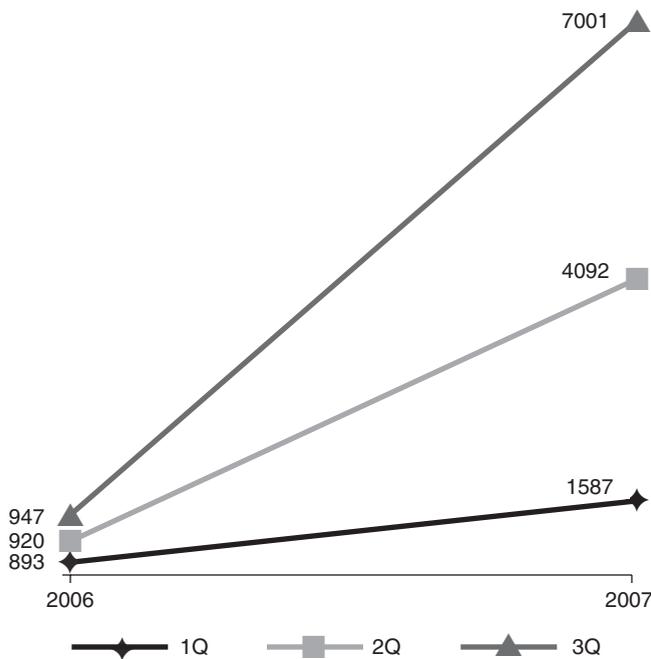
Furthermore, the actual revenue shortfall for the fiscal year 2008 and 2009 budgets will be far greater than the Maryland government is presently prepared to admit, as the housing and banking crises accelerate.

### New York: Bank Losses Mean Budget Blowout

The multi-billion budget shortfalls resulting from the huge losses and write-downs among the nation’s biggest banks in New York State, epitomize the other side of this mortgage/banking crisis. “The securities industry has been rocked by turmoil in the housing and credit markets,” and “these events will exact a toll on profits, bonuses, jobs and tax revenues,” New York State Comptroller Thomas P. DiNapoli wrote in an Oct. 30, 2007 report. That was his prelude to an-

FIGURE 4

### Maryland Foreclosures Explode, Accelerating Each Quarter Year-Over-Year

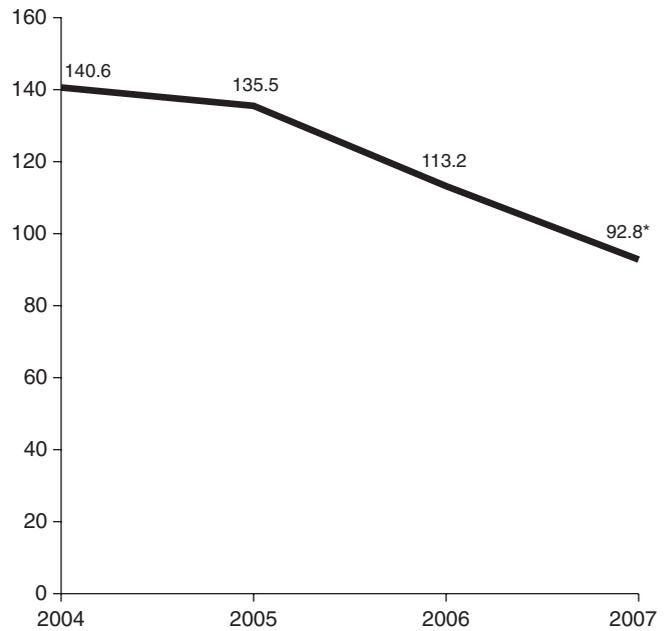


Sources: Maryland Department of Housing and Community Development, second quarter report; *EIR*.

FIGURE 5

### Maryland Single-Family Home Sales Plummet 21%

(2004 Through 2007 Second Quarter, Thousands)



Sources: National Association of Realtors and *EIR*.

\* Second quarter number is annualized.

nouncing a \$500 million tax revenue shortfall, due largely to a 65% drop in third-quarter 2007 profits at the seven largest securities firms headquartered in New York City.

As the Wall Street fantasy world of paper hyper-profits vanishes, the New York City and State governments are projecting burgeoning budget gaps for the next several fiscal years, revising upward the gap projections made only three months earlier.

Never have two large government entities depended so much on the fruit of speculation. Financial firms generate 23% of New York City's personal income, and thus, approximately the same percent of its personal income tax. The taxation of securities industry profits accounts for almost 9% of the city's tax revenue. In the case of New York State, taxation of securities industry profit accounts for 20% of the state's tax revenue, according to DiNapoli's report. New York City Budget Director Mark Page wrote in a memorandum to City Department heads Oct. 30, that New York City's budget shortfall would reach \$2.7 billion in Fiscal Year 2009. But Page's loss projection is \$1.15 billion greater than what he projected only this past July. For the fiscal years 2010 and 2011, Page projects budget shortfalls of \$4.8 billion and \$6.5 billion.

New York State's Budget Division projects a \$4.3 billion budget gap for FY 2009, a \$0.7 billion revision upward from its projection of the gap during July, as well as \$6.2

billion in 2010 and \$7.9 billion in 2011.

On Oct. 30, mad-dog New York City Mayor Michael Bloomberg ordered budget cuts of 2.5% this fiscal year (2008), and 5% for FY 2009. He also ordered a hiring freeze for "jobs with an immediate impact upon health and safety," according to *Bloomberg News* on Oct. 31.

Yet, New York City and State might be accused of using "too cheerful" projections. The housing collapse and banking credit crisis is now gathering force, and the fall in Wall Street's revenues has a long, long way to go.

### LaRouche: Return to a Productive Economy

As the loan losses of the major banks pile up, foreclosures accelerate, employment in the manufacturing-productive sectors declines, energy prices climb, and tax revenues shrink, legislators and elected officials will be in constant special session. Governors' January budget proposals will have to factor in billions of dollars of revenue loss. Threatened are basic public services of schools, police, fire, and public health jobs and programs, as well as transportation infrastructure spending. Millions of people who rely on city, county, and state government services, especially when they've lost a home or job, will find little help as programs are cut to bail out budgets.

A sustainable tax base must be restored to ensure the future of the nation. Lyndon LaRouche's FDR-styled rescue of

homeowners and state and Federal chartered banks, detailed in the Homeowners and Bank Protection Act of 2007 (see [www.larouchepac.com](http://www.larouchepac.com)), coupled with his Economic Recovery Act of 2006, provide the only exit from the budget disaster frenzy fueled by foolish clinging to the City of London-directed speculative economy.

## 'Florida Land Bubble' Collapse Returns

by George Canning

In 1926, the collapse of the great "Florida Land Bubble" gave the United States warning of the coming 1929 market collapse and the Great Depression, for the political faction that heeded it, which included a few Congressmen and the future President, Franklin D. Roosevelt. After Florida real estate prices had quadrupled in one year, 1924-25, and "everybody there was a real estate investor or a real estate agent," the bubble collapsed in 1926, producing mass foreclosures on huge mortgages. It so devastated the state's economy, revenues, and budget, that Florida's crash was complete before 1929.

Now, Florida is again leading the way in the mortgage bubble meltdown and financial crash. The state and local governments have been hit by a "double whammy" of losses, which shows how the budget collapse process, reported in the accompanying article, will rapidly worsen.

The collapse of the mortgage and housing markets is depriving U.S. counties and municipalities of a major source of income which funds public services. That is the loss of revenue before it is collected: from sinking home prices and real estate taxes, from falling home sales and consequently disappearing recordation fees, from falling construction activity, and from the economic impact of mass home foreclosures.

But a second impact—the loss of further revenue funds *after* they have been collected—was reported Nov. 16 by Bloomberg.com. In Florida, and several other states as well, the value of short-term investments of state agencies' funds collected but not yet spent—investments which government units have made into funds containing mortgage-backed securities (MBS)—is rapidly evaporating.

### \$50 Billion State Fund at Risk

Bloomberg.com, preparing an article on a number of states for its magazine, reports that the Florida State Board of Administration, which manages about \$50 billion of short-term investments for the state, school districts, and local governments, holds \$2.2 billion of debt that has been cut below investment grade to junk. (Florida rules require the state's short-term investments only to be top-rated, liquid securities, so taxpayer funds aren't placed at risk.) The funds had been

invested in hedge funds and similar vehicles issuing mortgage-backed securities and related toxic issues of the collapsing mortgage bubble.

Among the state's investments which have been downgraded are: \$400 million of Axon Financial Funding LLC debt, cut to junk status by Standard & Poor's on Nov. 9; \$850 million of KKR Atlantic Funding Trust, cut to default by Fitch last month; \$577 million of KKR Pacific Funding Trust debt, cut to default by Fitch last month; and \$319 million of debt issued by Ottimo Funding Ltd., cut to default by Standard & Poor's on Nov. 9.

Part of the \$50 billion in Florida government-unit investments is a \$27.3 billion Local Government Investment Pool, suffering "client outflows" or withdrawals. Drexel University finance professor Joseph Mason, formerly an economist at the U.S. Treasury, is quoted by Bloomberg that the nearly 1,000 Florida school districts, cities, and counties invested in the LGIP fund, now informed of its downgraded debt, will be tempted to pull money out, and "This sets up the danger for a run on the bank."

Florida is not alone in this problem. The *Bloomberg* article is expected to report on the purchase of subprime-tainted debt by public money managers in Connecticut, Florida, Maine, Montana, and Washington. Two examples given today are Washington state's King County (where Seattle is located), which Fitch Ratings last month said may have its rating lowered on \$1.5 billion of bonds, because of debt investments affected by rising defaults on U.S. home mortgages; and Connecticut, where a state fund that invests cash for more than 300 state agencies and municipalities was holding \$100 million of defaulted debt sold by a structured investment vehicle (SIV) as of last month, according to an official there.

### Threat to Municipal Insurance

In a closely linked piece of bad news for states and cities, there is a high and rising probability that several of the largest bond insurance companies will default, because they are facing losses on the so-called asset-backed securities that they have insured, of \$400 billion or more. Again, these are overwhelmingly mortgage-backed securities and the hedge fund pools which bought them.

This is the equivalent of "20 Hurricane Katrinas" in insured losses, warned the credit officer of one insurance company, quoted by Bloomberg on Nov. 16. Trading in derivatives contracts on these insurers' own debt, indicates a 40% expectation of default by New York-based Ambac Insurance, and a 28% expectation of default by MBIA, the largest financial insurer, also based in New York.

Fitch and Moody's are close to downgrading Ambac and two others, the New York-based FGIC Corp., and CIFG Guaranty, registered in Bermuda, unless they add much more to their core capital. Downgrades of these insurance companies would, in turn, shock the whole market for state and municipal bonds, sending interest rates through the roof.

# U.S. Nuclear Energy Program Review: Too Much Talk, Too Little Mission

by Marjorie Mazel Hecht

A “Review of the Department of Energy’s Nuclear Energy Research and Development Program,” issued Oct. 29 by a committee of the National Academy of Sciences,<sup>1</sup> criticized the Department of Energy’s Global Nuclear Energy Partnership (GNEP) program, but for all the wrong reasons. Instead of critically looking at GNEP’s goal of preventing other countries from developing a complete nuclear fuel cycle on their own, the committee focussed on how there is no real need for the United States to develop the reprocessing of spent nuclear fuel, and how it’s too expensive anyway.

“All committee members agree that the GNEP program [for fuel recycling] should not go forward and that it should be replaced by a less aggressive research program. . . . Domestic waste management, security, and fuel supply needs are not adequate to justify early deployment of commercial-scale reprocessing and fast reactor facilities,” the report states. “There is no economic justification to go forward with this program at anything approaching commercial scale.”

The head of this small-thinking NAS committee, Robert W. Fri, happens to be the same person who headed President Gerald Ford’s nuclear group in 1975, which made the decision to stop the reprocessing of spent fuel. (This nuclear group worked with Ford’s chief-of-staff, Dick Cheney.) Ford lost the election, but Jimmy Carter, as President, then implemented the same Ford nuclear program and stopped U.S. spent-fuel reprocessing. This decision led to the accumulation of spent fuel in storage at nuclear plants, and thus created a perpetual “cause” for the anti-nuclear movement: “But what about the waste?”

Spent fuel from nuclear plants, it should be emphasized, is not “waste.” About 97% of it can be recycled into new fuel, and the remaining 3% of actinides—high level radioactive elements—could also be “mined” to retrieve valuable isotopes for medical and industrial use. Until the decision of the Carter Administration, the United States, like other nuclear nations, routinely reprocessed spent fuel in a large industrial facility (the Savannah River Site in South Carolina), which worked well and did not have a security problem.

1. “Review of DOE’s Nuclear Energy Research and Development Program,” National Research Council of the National Academy of Sciences, Oct. 29, 2007, 144 pp. Available online at [www.nap.edu](http://www.nap.edu).

The NAS committee’s report recommends that the DOE Office of Nuclear Energy put more emphasis on the department’s Nuclear Power 2010 program, which is geared to facilitating the siting, design, and licensing of new nuclear power plants. It also supports more funding for the Generation IV program, which aims to put a next-generation nuclear plant in operation by 2017.<sup>2</sup>

These recommendations are good, as far as they go. Both programs need more funding to achieve their limited (compared to the need) goals, and both programs should be accelerated. But the littleness of the DOE’s vision is exceeded, not challenged, by the committee’s report.

## The Real Issue: American System Development

The real issue not addressed by either the DOE or the NAS report is the *mission* of the United States in the economic future of the world. The world needs 6,000 nuclear plants by the year 2050, in order to bring the entire world’s population up to a decent standard of living, by ensuring an adequate supply of electricity.<sup>3</sup> To accomplish this requires American System thinking, like that successfully implemented by Alexander Hamilton and, more recently, by Franklin Roosevelt. This means low-interest credit for projects that will build needed infrastructure and benefit the economy. Long-term nuclear development projects, 25-50 years, will *pay for themselves and more*, as the Apollo Program did, which returned \$10-14 to the economy for every dollar spent. The spinoffs, in terms of new technologies, an educated and employed workforce, and plentiful electricity, will allow the entire world economy to grow.

Imagine what an industrial boom we would have in this country, if we put our mind and resources to mass-producing nuclear plants (and mass-producing the facilities that could mass-produce reactors) for the world, at the same

2. For more on the fourth-generation nuclear plants, see: Marsha Freeman, “Time for Next-Generation Nuclear Plants in the USA,” and Marjorie Mazel Hecht, “Fourth-Generation Reactors Are Key to World’s Nuclear Future,” both in *EIR*, Aug. 7, 2007 and available at [www.larouchepub.com/eiw](http://www.larouchepub.com/eiw).

3. Massachusetts State Nuclear Engineer Jim Muckerheide discusses “How To Build 6,000 Nuclear Plants by 2050,” and why we need them, in the Summer 2005 *21st Century Science & Technology*, available at [www.21stcenturysciencetech.com/Articles%202005/Nuclear2050.pdf](http://www.21stcenturysciencetech.com/Articles%202005/Nuclear2050.pdf)

time training a future workforce in the necessary skills.

But this NAS committee, like most of today's decision-makers in industry, is fatally stuck in the post-Bretton Woods economic mode, even as the world financial system is imploding in front of its eyes. It bows to the market's "bottom-line," with its invisible hand that commands what will turn a "profit" in the shortest possible amount of time. This is *not* how this country was built and became an industrial giant.

The recommended incremental approach, taking step by tiny baby step, like the Achilles in Zeno's Paradox, never arrives at the destination. This kind of thinking is what killed the U.S. fusion program, and a host of other promising technologies that could have moved civilization forward.

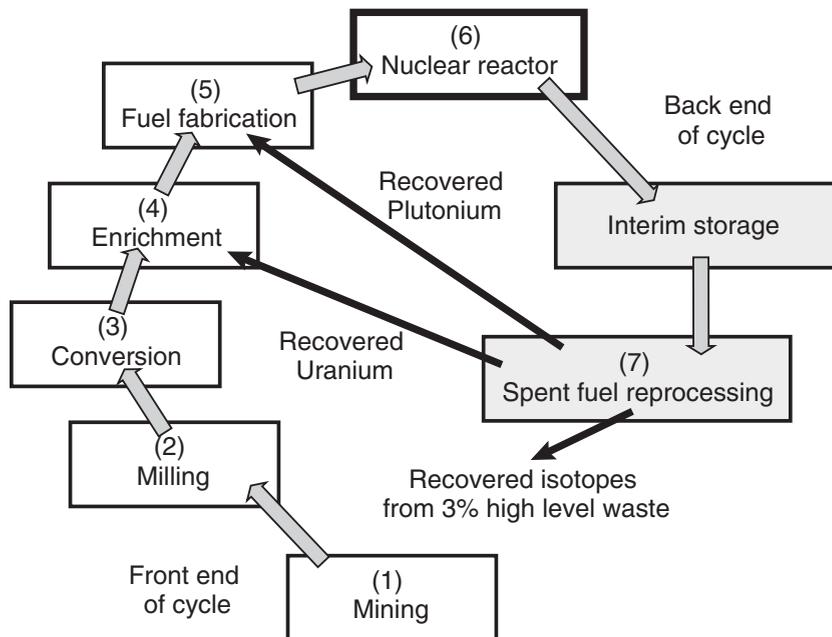
Both the head of the DOE nuclear program (see accompanying interview with Dennis Spurgeon) and most of the members of the NAS committee, are without doubt "pro-nuclear." But some members of the committee, might most charitably be described as "anti-pronuclear," that is, technically qualified nuclear experts who in fact want to curb civilian nuclear energy, especially in the developing sector, and who use their technical expertise to have a seat at the table of policy-making bodies.

This anti-pronuclear view got a real boost in the person of the late Dr. Albert Wohlstetter, the actual model for the fictional nuclear maniac "Dr. Strangelove," and a strategic advisor to several U.S. Presidents.<sup>4</sup> Wohlstetter, a mentor of several of today's neocons (such as Paul Wolfowitz and Richard Perle), put forward his view, in many influential policy papers, that civilian nuclear plants were the equivalent of bombs, and that reprocessing simply made bomb-making even easier, by providing access to plutonium.

This neocon who played with nuclear missile strategy, worked closely with Amory Lovins, the green inventor of "negawatts," the idea that you can increase society's energy budget, by conservation. Wohlstetter and Lovins' economic analyses are nearly identical: Use renewables; nuclear is both undesirable and too expensive. In their view, reprocessing and breeder reactors must be forbidden, because they make it possible to perpetuate and increase nuclear energy.

4. See Marjorie Mazel Hecht, "Albert Wohlstetter's Legacy: The Neo-Cons, Not Carter, Killed Nuclear Energy," *21st Century Science & Technology*, Spring-Summer 2006.

## Completing the Nuclear Fuel Cycle



*The full nuclear fuel cycle shows that nuclear is a renewable energy source: The spent fuel can be reprocessed to recover unburned uranium and plutonium that can be fabricated into new reactor fuel. Since 1976, the U.S. nuclear cycle has been "once through," going from spent fuel to interim storage and then longer-term storage.*

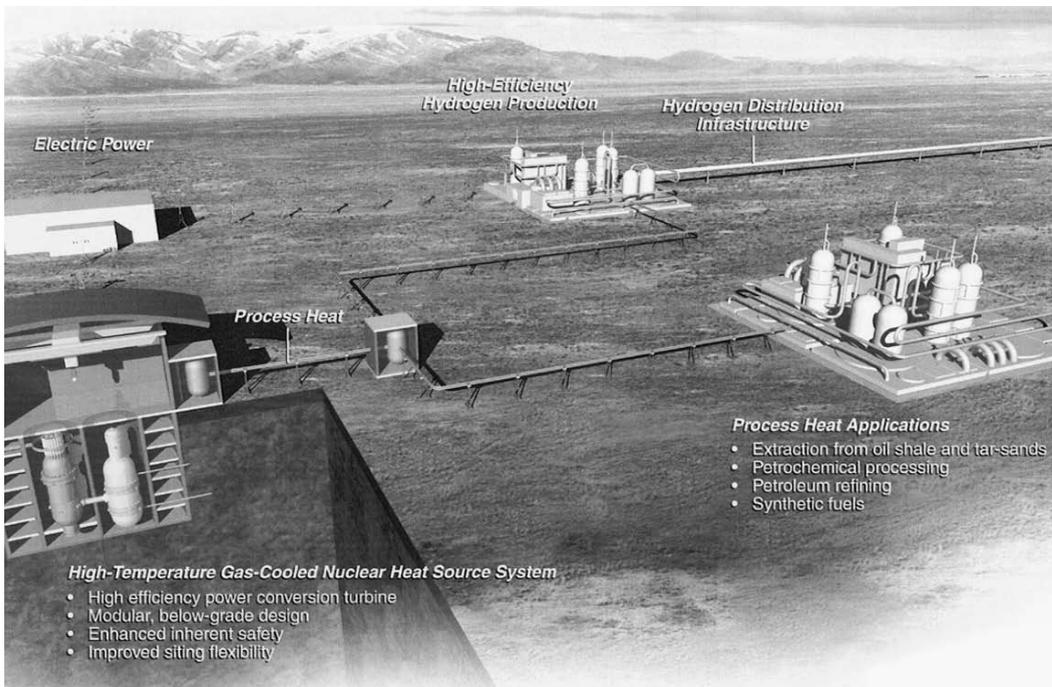
*The spent fuel produced by a single 1,000-megawatt nuclear plant, over its 40-year lifetime, is equal to the energy in 130 million barrels of oil, or 37 million tons of coal, plus strategic metals and other valuable isotopes that could be retrieved from the high-level fission products. Other nuclear nations reprocess this resource.*

## Closing the Nuclear Fuel Cycle

The U.S. civilian nuclear program, like others around the world, was established with the intention of recycling spent nuclear fuel. After all, that is what makes nuclear a truly *renewable* energy: Uranium fuel can be used to produce heat and electricity, and when it is "spent," it can be recycled into new reactor fuel. No other energy source can do that.

But, when reprocessing was stopped under the Carter Administration, in 1975-76, the United States adopted a "once-through" nuclear fuel cycle, with all the attached political baggage. This once-through cycle was touted as being both cheaper, and non-proliferation friendly. If we don't reprocess, the Carter reasoning went, other nations will be encouraged not to reprocess.

Plans were made for a permanent burial place for the U.S. spent fuel that would accumulate, a site that, *billions* of dollars later, is still today in contention. In California, under Wohlstetter's instigation, meanwhile, legislation was adopted that prohibited any new nuclear plant from being built, until there was a national "waste" repository. California is still reaping the disaster of this policy, in brownouts and increased electricity costs.



*This artist's drawing of a high-temperature gas-cooled reactor coupled to a hydrogen production plant and an industrial processing complex is one of the designs for the DOE's Generation IV or Next Generation Nuclear Plant. A next generation reactor is planned to be online by 2017-20, depending on funding. By that time, other nations expect to be exporting high-temperature reactors!*

Idaho National Laboratory

Just before civilian reprocessing was stopped (military spent fuel continued to be reprocessed until the 1990s), the Ford Administration dissolved the Atomic Energy Commission (AEC). The AEC had led the effort to promote nuclear energy, and under President Nixon, had made plans for a breeder reactor program, to ensure the nation a future supply of nuclear fuel. The AEC had been invigorated by the outspokenly pro-nuclear Dr. Dixy Lee Ray, who served on the commission from 1972, and was its chairman in 1973 and 1974.

The Energy Research and Development Administration (ERDA) was set up to replace the Atomic Energy Commission, and to include so-called alternative energies as equals. This agency became the Department of Energy (DOE) in 1977, and for many years, until the 2006 appointment of Dennis Spurgeon, the DOE did not even have an assistant secretary for nuclear.

The GNEP program was announced in February 2006. In addition to its aim of policing the fuel cycles of other nuclear countries, GNEP set out to research and develop the recycling of spent fuel as an alternative to the once-through fuel cycle, but to do this *without* the separation of plutonium.

When spent fuel is reprocessed, the highly radioactive fission products (3%) are removed, and the fissionable uranium-235 (96%) and plutonium (1%) are separated for re-use. This plutonium could be directly used as fuel in breeder reactors, or mixed with uranium to make MOX, mixed oxide fuel for conventional reactors. (MOX, made from surplus weapons plutonium, has been used in 35 European reactors, and MOX is beginning to be used in the United

States, with the Savannah River Facility designated as the production site.)

### **GNEP: It's All About Preventing Proliferation**

GNEP, however, has set as a goal the development of a recycling process that will prevent any plutonium from being used. A second goal is to develop a breeder reactor whose fast neutrons would be used, not to make electricity, while at the same time breeding more reactor fuel,<sup>5</sup> but instead to "burn up" the highly radioactive fission products (3% of the spent fuel). Both of these GNEP goals are geared to develop commercial-scale facilities not for advancing nuclear technology in order to produce power more efficiently, but simply for preventing proliferation.

The NAS report does not question the aims of GNEP. It criticizes the timetable, saying that GNEP should not rush into developing a commercial facility for nuclear fuel recycling or an advanced sodium-cooled burner reactor; that it

5. Breeder reactors, also called fast reactors, produce electricity *and* new nuclear fuel, and were considered to be an essential part of the Atoms for Peace nuclear development plans. In a conventional reactor, a moderator such as water, slows down the fast neutrons of the fission reaction to the optimal rate for maintaining a chain reaction. In the breeder reactor, these neutrons are not slowed down, but are caught in a "blanket" of uranium or thorium surrounding the reactor core. There, the neutrons produce new fissile material, such as plutonium-239. At the same time, the heat from the fission reactions in the core is used to produce electricity.

The Russians have operated sodium-cooled fast reactors since 1958, including the prototype BN-350, which produced electricity and desalinated water from 1972 to 1999. They have an ambitious program for developing larger commercial fast reactors.

## Bertrand Russell's Malthusian Wedge

The genesis of the double-sided nuclear strategy promoted by Albert Wohlstetter—bombs for us and limits on nuclear technology for the rest of the world—lies with Lord Bertrand Russell and his acolyte and popularizer, H.G. Wells. Russell and Wells promoted a curb on nuclear technologies because they feared that the efficient production of electricity by nuclear energy would allow unlimited population growth.

Russell's aim was to stop the American System of perpetual progress, and replace it with Malthusianism. He particularly desired to cull the brown and black populations of the world, and famine, wars, and disease were the methods he and Wells favored. Today, between the environmental movement and the Cheney/Bush preemptive war faction, the world is well along in carrying out the British oligarchy's Malthusian plan.

From the beginning of the post-war U.S. nuclear program, there was a fight to wrest control of civilian nuclear energy from the military.<sup>1</sup> The civilians won, and the first civilian U.S. nuclear plants were built by private industry and run by public utilities. But, the Russellites continued to organize internationally, through the Pugwash group and the International Atomic Energy Agency, and in the United States, for curbs on nuclear technology development. They succeeded in promoting their Malthusian views via the issue of proliferation, the danger that nuclear knowledge

1. Nuclear engineer Theodore Rockwell describes this fight in an article in the Summer 2004 *21st Century Science & Technology*, "The Two-Edged Atomic Sword: Getting the Atom Away from the Army." The article is adapted from Rockwell's book *Creating the New World: Stories and Images from the Dawn of the Atomic Age*.

might get into the hands of "bad people" who would misuse it to make bombs or threaten terrorism.

Wielding this Russellite wedge, the Nuclear Non-Proliferation Treaty was introduced in 1968, and passed into law in 1970. In addition to the five publicly acknowledged nuclear weapons states, 182 other nations have signed on. A system of safeguards and inspections by the IAEA was put in place to monitor compliance with the no-nuclear-weapons policy.

The NPT, as the treaty is known, could not have gotten nations to sign on if it did not acknowledge and foster the positive uses of nuclear energy as the "inalienable right" of member-states. And so, the treaty "promotes co-operation in the field of peaceful nuclear technology and equal access to this technology for all States parties. . . ." States have the right to "research, production, and use of nuclear technology for peaceful purposes without discrimination."

The NPT, however, has been applied with discrimination by the United States, which used political pressure selectively to stop the growth and development of civilian nuclear energy. Brazil and Argentina were victims of this pressure in the 1970s.<sup>2</sup> Israel's non-publicly acknowledged nuclear weapons program has not come under U.S. pressure.

Along with the NPT came the robust bureaucracy of the proliferation "industry," with legions of anti-nuclear and anti-pronuclear "experts," whose press releases and talking heads proliferate in the media. Instead of directly stating the Malthusian aim of killing off "excess" population, they work to "kill" the energy technology which has the highest energy flux density, and hence power, to efficiently produce enough electricity to light the world.

2. Marsha Freeman discusses the U.S. role in the sabotage of the Brazilian and Argentine nuclear programs under the guise of non-proliferation, in "Ibero-America Needs a Space Agency!" *21st Century Science & Technology*, Spring 2002. For a comprehensive review of the situation, see "How Nuclear Energy's Promise Was Nearly Destroyed," *EIR*, Jan. 14, 2005; also available at [www.larouche.com/other/2005/3202\\_nuclear\\_promise.html](http://www.larouche.com/other/2005/3202_nuclear_promise.html).

should instead continue research, and not select a particular technology yet. In particular, the NAS report states that GNEP should not skip the step of building an engineering-scale facility by moving directly into the commercial facility stage.

The NAS report outlines all the technical and political problems that remain for GNEP to solve, and concludes that delay is inevitable, so why not delay: "If and when technical progress justifies construction of a major facility, it is the very strong view of this committee that an engineering-scale

facility is by far the safest, most effective, and least risky course. . . . [The committee believes that DOE should] commit to the construction of a major demonstration or facility only when there is a clear economic, national security, or environmental policy reason for doing so. . . . The committee is concerned that the plan to move rapidly to recycling and fast reactors has no economic basis."

What's missing here is any sense of mission or reality: What role will the United States play, as the rest of the world, led by Russia, India, and China, intends to move forward—



*The Fast Flux Test Facility at Hanford, Washington, is a 400-megawatt sodium-cooled fast reactor of the type GNEP proposes to develop. It was designed to test new reactor fuels and materials, but it was shut down by the DOE just months before GNEP was announced. Now, it could be restarted.*

fast—with nuclear? Will we bury our heads in the sands of bureaucracy and continue to “study” and talk about the issue, as the NAS committee recommends? Will we inch along, inventing a new recycling process, and building a new facility based solely on an unproven and misguided goal of preventing proliferation? Neither GNEP nor the NAS has a solution befitting the nation that pioneered civilian nuclear technologies and, under the Atoms for Peace program, trained hundreds of nuclear engineers and scientists from around the world.

Meanwhile, India announced on Nov. 13 that it was building four new fast breeder reactors based on the thorium fuel cycle, that would both produce power and breed new fuel. These are 500-megawatt reactors, costing about \$800 million each, which are part of the nation’s three-stage program to meet its tremendous need for electricity. Japan, which has extremely limited indigenous energy resources, has selected the fast reactor as its standard reactor for the century ahead, as it fulfills its goal of increasing the percentage of electricity supplied by nuclear. Russia is gearing up for an ambitious nuclear construction program for domestic use and export, including floating reactors and sodium-cooled fast reactors. And China has an operating demonstration high-temperature gas-cooled reactor on the pebble bed model, and a demonstration fast reactor scheduled to open next year.

In short, if the United States doesn’t wake up and make nuclear power the centerpiece of a domestic reindustrialization program, with a renewed mission to help the world industrialize, someday soon we will have to import both nuclear electricity and nuclear engineers, scientists, and technicians from other countries.

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## Interview: Dennis Spurgeon

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# Cost of Not Recycling May Be ‘Staggering’

*Dennis Spurgeon is the Assistant Secretary for Nuclear Energy at the U.S. Department of Energy (DOE), and in this capacity, is the senior nuclear technology official in the U.S. Government. He is responsible for the DOE’s nuclear technology research and development, its nuclear technology infrastructure, and its support to nuclear education in the United States. He also leads the DOE’s Global Nuclear Energy Partnership (GNEP).*



*Spurgeon graduated with distinction from the U.S. Naval Academy, and holds a Masters of Science in nuclear engineering and the degree of Nuclear Engineer from the Massachusetts Institute of Technology. In addition to government posts in the Ford Administration, he has worked in the nuclear industry.*

*Spurgeon was interviewed Nov. 13, via e-mail, by Marjorie Mazel Hecht, for 21st Century Science & Technology magazine.*

**Q:** The National Academy of Sciences committee [see accompanying article] is headed by the same man—Robert Fri—who was responsible in the Ford Administration for the policy that stopped reprocessing in 1975. This present committee was unanimously opposed to going forward with reprocessing, saying that it wasn't needed now, and it cost too much. But what about the cost of not reprocessing? Not to reprocess means that the anti-nukes have a perpetual political rallying point: nuclear "waste."

**Spurgeon:** The cost of not reprocessing may be staggering. Since only about 5% of the uranium in nuclear fuel is consumed, we are currently disposing of a tremendous amount of a remaining energy. And, perhaps worse, by not developing and utilizing recycling technology, the United States will not be able to compete in this market segment against other countries such as France or Japan, that have made the national commitment to recycle their spent nuclear fuel. Moreover, closing the nuclear fuel cycle in the United States is essential to ensuring a vibrant nuclear industry in the future.

Additionally, the United States needs to develop its recycling capability in order to provide the full scope of assured fuel supply services to countries interested in obtaining nuclear power plants to meet their domestic energy needs, thereby reducing the risk of proliferation of sensitive technologies that could be misused.

**Q:** Some of the GNEP goals—fuel testing and experience with a sodium-cooled fast reactor—could be achieved using a restarted Fast Fuel Test Facility.<sup>1</sup> Is this being considered, now that a study has shown restart to be possible?

**Spurgeon:** The Department has not yet made a decision regarding the final technology choice or location for the fast reactor component of the Global Nuclear Energy Partnership (<http://www.energy.gov/news/5287.htm>). The Fast Flux Test Facility (FFTF) in the state of Washington continues to be a potential option. The ultimate decision to use FFTF or a different solution will depend upon many factors, including cost, acceptance by the state and local populations, FFTF's ranking against other technologies, operating and maintenance costs, amongst other considerations.

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1. The FFTF, a sodium-cooled fast flux reactor, was shut down by the DOE in 2005, allegedly for budgetary reasons, although the reactor operated well and was in good working order. FFTF supporters campaigned to keep it open as a facility that could test reactor fuel and produce isotopes for medical and industrial use. After the final DOE decision to shut it down, engineers drained the sodium by drilling a hole in a plate inside the reactor vessel, which, it was thought, would prevent the reactor from being started up again.

However, after the hole was drilled, engineers looked at the hole, reassessed the situation, and determined that the FFTF could, indeed, be started again.

For more background on the FFTF, see "Save the Fast Flux Test Reactor," *EIR*, Feb. 25, 2005.

**Q:** Why is there so little mention of new technologies for isotope separation? E.g., if we develop the fusion torch, we could transmute spent fuel and make use of valuable isotopes for medical and industrial purposes.

**Spurgeon:** While many technologies have been evaluated for use as part of the GNEP concept, those that are extremely nascent have not been included. The fusion torch, while potentially applicable, has a very low technology readiness level, and is decades away from commercial manifestation, and wouldn't meet the Department's near-term objective to begin spent nuclear fuel recycling.

**Q:** What will be the effect of the NAS report on the program and on the funding? What's next at NE [DOE Office of Nuclear Energy], after this report?

**Spurgeon:** The Department agrees with some of the report's recommendations, namely that the Nuclear Power 2010 program should be fully funded. However, we believe that there are significant discrepancies between the report's conclusions and their applicability to the current GNEP program. The Department is hopeful that Congress will read the report and consider its recommendations in context with information provided by DOE and other sources.

**Q:** The NAS report is a policy disaster. We need a return to the American System of industrial development—which looks 25-50 years into the future to plan needed infrastructure, instead of an inch-by-inch, bottom-line approach (like that of the NAS committee) that gets you nowhere. This country was built into an industrial giant by a dirigist approach, carrying out great infrastructure projects. What would you (NE) do, if you could define your mission as reindustrializing the U.S.A. and going nuclear to become energy independent?

**Spurgeon:** One of the Department of Energy's strategic goals is to promote America's energy security through reliable, clean, and affordable energy. To realize this goal, DOE is working to create a more flexible, more reliable, and higher capacity U.S. energy infrastructure. NE contributes to this effort through the Nuclear Power 2010 program and GNEP, to name a few vehicles.

**Q:** How do you see the United States helping to build the 6,000 new nuclear plants the world needs by 2050?

**Spurgeon:** Through our leadership role in GNEP, the United States is fostering the expansion of safe and secure nuclear power worldwide. Specifically, GNEP seeks to provide infrastructure support and knowledge to developing countries, including the development of smaller reactors more appropriate for the infrastructure of developing countries. Additionally, a robust expansion of nuclear power is predicated on a viable answer to waste disposition. Developing a sound and viable waste disposition strategy is a fundamental goal of GNEP.

## Bring in the Undertaker

*The financial system is gone, and the choice between fascism and the American System must be made now.*

**I**t's all over, my friend." That line, from Nat King Cole's "The Party's Over," pretty much sums up the global financial situation today. They've burst your pretty balloon, the masquerade is over, and it is time to take off the makeup. Next stop for the financial system: the undertaker.

The U.S. economy has been operating below breakeven for some four decades, our industrial productivity systematically dismantled in favor of information, services, and speculation; our infrastructure neglected to the point where we are overwhelmed by problems that we could have avoided; and our people and institutions burdened by debts so great that they can never be repaid. We, the people and the nation, live on borrowed money, which we use to buy goods produced in slave-labor—or nearly so—conditions around the world. What we have told ourselves is prosperity, has been a blind, irresponsible fraud. Now the balloon has popped, and the party is over.

It would be nice to believe that the authorities and experts have things under control, but who can believe that anymore? Politicians? Forget it. The technocrats? Not a chance!

One of the recurring themes in the financial press these days, is confusion; things are not working the way they are supposed to. "What it all comes down to beneath the surface is ... the perception that this is spreading in ways that cannot be anticipated," one analyst told the *New York Times*. Said another: "The mood is dreadful. People are saying, 'Well, is

that all? If they were wrong about so much, is it possible they're still wrong?'" The flip side of that is, if they've been so wrong about everything, who in their right mind would believe anything they say now?

A few short months ago, most people had never heard about SIVs, CDOs, ABCPs. We had what was described as a "subprime crisis" caused by a few crooks, but not to worry, it is manageable, they said. Then the "subprime crisis" spread into mortgage-backed securities, and into the CDOs, and into the ABCP market, and into the SIVs, and pretty soon, no less an authority than Treasury Secretary Henry Paulson was pushing a dead-on-arrival plan to rescue our biggest banks from their own SIV exposure.

This is still just the tip of the iceberg. We've only just begun to see the banks' losses, and beyond them lie the losses of the hedge funds, the derivatives traders, the bond insurers, and the credit derivatives salesmen, all of them so incestuously interlocked that losses anywhere trigger losses everywhere. There are trillions of dollars of losses out there, looking for balance sheets to destroy as they cascade through the system.

The issue here isn't the financial system, because that system is now in the morgue, where the morticians can perform their autopsy and study the effects of the disease. This system is dead, and it isn't coming back to life.

There are two issues on the table at this point. The first is, what is the nature of the system which will rise in

its place? And the second is, what is wrong with our thinking that we let things get so far out of control?

We know what the international bankers are pushing: fascism, austerity, total control over raw materials, trade, our very lives. Should they prevail, the world will become a brutal place where shortages, austerity, and death become commonplace in ways we can hardly imagine. The financier oligarchy has been, and is, putting this system in place before our very eyes, a continuing coup.

It doesn't have to happen that way, but it will, unless we stop it. Which is where the flaws in our thinking come in. Every good con man knows that you can't cheat an honest man; the best targets are people who want something for nothing, who are willing to take advantage of someone else. It is that weakness which makes them susceptible to the con. The international bankers, and the financier oligarchy behind them, know this and rely on corruption to control the population.

Wall Street, in its own way, is similar to Las Vegas, where grand edifices are erected from the proceeds of separating people from their money under the lure of making the big score. We have become a nation of gamblers, not just observers, but participants in the looting of ourselves, our neighbors, and our nation. The con men have been working hard to destroy us, but it is our own flaws which have allowed them to succeed. We have met the enemy, and it is us.

Now we face a stark, defining choice: Either we correct those flaws within ourselves and return to the American System, or we will assuredly descend into fascism and a new dark age. The money is gone, for better and worse. We must now put up the firewalls, and protect people first.

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# Business Briefs

## *Economic Hitmen*

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### **Exxon CEO Denounces 'Resource Nationalism'**

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Just as more and more nations are taking measures to regain their patrimony from world corporations which have looted their wealth, the CEO of ExxonMobil Corp. has denounced "resource nationalism" as "counterproductive."

With grammar as bad as his economics, Rex Tillerson proclaimed, "Isolation and resource nationalism is counterproductive and undermines the goal of supply security." Speaking at a Rome energy conference Nov. 12, Tillerson said that the drive by some oil-exporting countries to become "energy superpowers" will have "detrimental impacts," Bloomberg reported.

Countries such as Bolivia and Venezuela have forced resource looters to renegotiate contracts, which had often been imposed with the aid of economic hitmen. But people in those countries who try to take greater control of their resources will pay, Tillerson threatened, with lost revenue and cuts in international investment.

Is this a tiger roaring, or just an oligarch who fears the handwriting on the wall?

## *Currency*

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### **'Post' Columnist Hails Private Monetary Rule**

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*Washington Post* columnist Sebastian Mallaby, in his Nov. 12 op-ed, endorsed the very "private" global currency scheme that Lyndon LaRouche denounced last May as an "imperial oligarchical" scheme for a one-world monetary dictatorship.

Mallaby's column, entitled "The Dollar in Danger," starts with President Richard Nixon's (and George Shultz's) decoupling of the dollar from gold in 1971. Now the dollar is again vulnerable, and its days as a reserve currency are numbered, Mallaby wrote.

"One of my colleagues at the Council on Foreign Relations, Benn Steil, has proposed

another option—a privately created currency that would confer an inflation-proof claim on gold or a basket of commodities," Mallaby continued. "Steil calls his idea 'digital gold,' which has a nice back-to-the-future ring. The more the dollar slides, the less Steil's suggestion sounds like a fantasy from a movie studio." (Maybe Mallaby has been watching, or reading, too much H.G. Wells.)

When Steil's proposal was first published in *Foreign Affairs* last May, LaRouche denounced it as dangerous folly. As *EIR* reported at the time, "LaRouche described the Steil proposal for a 'trilateral' division of a one-world monetary dictatorship as an attempt to revive the 'Persian Model' of a global empire, divided between regional powers. In the original Persian case, the proposal was for a division between an eastern and western empire. Now, LaRouche warned, the CFR is promoting a 'trilateral' division of the world, along precisely the Persian model of imperial oligarchical rule. LaRouche drew the parallel between the Persian campaign to destroy Athens at the close of the Peloponnesian Wars and the present schemes, and also pointed to the parallels with the Venetian model of a private financier oligarchy ruling the world through control over debt and commerce."

## *Energy*

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### **German CEO Denounces Electricity Deregulation**

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In a Nov. 14 statement, Wulf Bernotat, head of Germany's major energy producer, E.ON, called European Union bureaucrats a bigger threat to Europe's energy market than the Russian group Gazprom.

What could be more dangerous to power generation than the "big bad" Russian Gazprom? Electricity deregulation, Bernotat said. And given what dereg has done in the United States—where states have seen doubling and tripling of electricity prices—only an idiot or a Brussels globalization bureaucrat could doubt him.

Bernotat said the European Commission's proposal to break up Europe's elec-

tricity behemoths—separating, and thus deregulating, transport and distribution from power generation, as has been done in 17 U.S. states—is misguided, and would weaken Europe's electricity sector.

Indeed, experience in some EU countries validates Bernotat's point: In the Netherlands, authorities regret that they ever broke up the system in the first place; in Britain, a recent survey shows that deregulation of the power market has led to higher, rather than lower, electricity prices.

Bernotat's attack on energy deregulation is covered prominently on the *Financial Times* website Nov. 15.

## *Infrastructure*

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### **'Times' Op-Ed: Return To FDR-Style Programs**

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An Adam Cohen column on the *New York Times* editorial page Nov. 12, labeled "Editorial Observer" and headlined "Public Works: When 'Big Government' Plays Its Role," suggests that it just might be time to go back to the sort of infrastructure programs that Franklin Roosevelt initiated during the 1930s Depression. Cohen refers approvingly to a book by Robert D. Leightner, Jr., entitled, "Long-Range Public Investment: The Forgotten Legacy of the New Deal." "The story of the 1930s public works programs is timely again," Cohen writes, "because much of America is falling apart," referring to the Minnesota highway bridge, and the lack of water reservoirs in Georgia. "We should be replicating some of the successes of the Depression-era programs... Physical capital investment as a percentage of gross domestic product, the measure of how much the nation is investing in itself, is dismally low today by historic standards and the \$600 billion-plus being directed to the Iraq War is not helping."

Cohen concludes, "Roosevelt's basic idea that the government should employ idle hands to upgrade the nation should never have gone out of fashion. The next president will need to confront the nation's disrepair. It should be an issue in the campaign."

REKINDLING THE SPARK OF LIBERTY

## Lafayette's Visit to the United States, 1824-1825

by William Jones

*As the American War for Independence was coming to a successful conclusion, a group of senior officers in the Continental Army set about to establish an institution, that would serve, both to commemorate those brave men who had led the struggle for independence from the British Empire, and as a guardian of the fragile Republic that had just been won. The organization, the Society of the Cincinnati, named after the Roman citizen-soldier Cincinnatus, was formed on May 13, 1783. Its membership was open to any officer who had served in the Continental Army, both American and foreign. Indeed, the*

*following year, on July 4, 1784, a French branch of the Society of the Cincinnati was formed, with the Marquis de Lafayette elected as its first head. The American head was Gen. George Washington, who was succeeded, upon his death, by Col. Alexander Hamilton.*

*Beyond the formalities, the hereditary Society formed the core of a trans-Atlantic republican conspiracy, aimed at preserving the American Republic and spreading republican ideals around the world, particularly back into Europe. It was, in part, on behalf of the latter mission, that the Marquis de Lafayette made his historic return to America in 1824-25.*

### What Is an American Patriot?

This article is part of a series aimed at unearthing the real history of the American patriotic tradition, and causing its revival. The purpose is to create the political and intellectual climate in which a genuine American patriotic candidate can emerge for the 2008 Presidential elections—a candidacy which does not yet exist.

Of special relevance is the period of the early 19th Century, when patriots had to fight in the context of series of poor, or even treasonous Presidents. The fact that our greatest President, Abraham Lincoln, was produced from this political environment, testifies to the effectiveness of the network of republican forces from this period. The LaRouche movement has worked for decades to uncover the original writings and other evidence of this network.

This week we celebrate the Marquis de Lafayette's triumphant return to America in 1824-25, his meetings with former Presidents John Adams and Thomas Jefferson, and the crucial role he played in the 1824 Presidential election of John Quincy Adams.

Lafayette established for himself a more stately column than that at Vendôme, and a better statue than that of marble or metal. Where is the marble as pure as his heart, and where is the metal as firm as the devotion of old Lafayette? Of course he was always partisan, but partisan like the needle of a compass, which always points to the North, and not once deviates to the South or to the East. And so Lafayette has daily said the same thing for forty years, and always points toward North America. For that is where the Revolution began with its universal declaration of human rights. Still in this hour he persists in this declaration, without which there can be no healing—that partisan man with his partisan heavenly Realm of Freedom!"

—Heinrich Heine, 1832

The visit to the United States in 1824-25 of the Marquis de Lafayette, the last surviving general of the Revolutionary War, was a landmark event during the first half of the 19th Century in America. The aging war hero (1757-1834), who had come to U.S. shores nearly 40 years earlier as a 19-year-old major general, to lead American troops in the battle for the nation's independence from Great Britain; who had been a key figure in the



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*The Marquis de Lafayette was the last surviving general of the Revolutionary War. He is shown here, with his commander in chief, Gen. George Washington, at Valley Forge, 1777-78.*

early days of the abortive French Revolution, and spent seven years in an Austrian prison; lived on in American lore and legend. But almost a half-century had passed since the signing of the Declaration of Independence, and the generation that had been involved at the creation of the republic was passing from the scene; the memory of their deeds and their ideals was growing dim. For those who had been involved in that fight—the Revolutionary officers and those of the Society of the Cincinnati and similar organizations—the visit of their old chief would be the occasion to again light the torch and pass it to a new generation. The timing of the visit couldn't have been more propitious, as it would coincide with an election that would determine the fate of the American Republic.

### The Monroe Doctrine

President James Monroe, in consultation with the Congress, wrote to Lafayette in February 1824, inviting him to visit the United States. Two months prior to Monroe's letter, the President had issued a declaration that became famous as the Monroe Doctrine. At the urging of the Holy Alliance, the restored monarchy in France invaded Spain in order to quell republican stirrings in that nation. Most of the countries of Ibero-America, in the chaos that followed, had declared their independence from Spain and were still in a fight to secure it. The U.S. had recognized, indeed encouraged, these new republics that had overthrown the colonial yoke. Not so the Holy Alliance, which had become the de facto policeman for the oligarchy in Europe. With the re-establishment of absolutism in Spain, there were fears that France, with the backing of the main powers of the Holy Alliance—Russia, Austria, and

Prussia—might try to restore the colonial order in the former Spanish possessions.

The British, who were playing a cat-and-mouse game with the Holy Alliance, which they had helped create, were interested in advancing their own claims on some of the South American colonies. British Foreign Secretary Lord Canning turned to the United States to seek a joint declaration that neither Great Britain nor the United States had any interest in taking over former Spanish colonies, nor did they look kindly on any third party doing so. Monroe, supported by former Presidents James Madison and Thomas Jefferson, was inclined to take up the British offer. Secretary of State John Quincy Adams, however, was adamantly opposed. "It would be more candid, as well as more dignified," Adams told the President, "to avow our principles explicitly to Russia and France, than to come in as a cock-boat in the wake of the British man-of-war." The "principles" espoused were also vintage Adams: "non-colonization" and "non-interference" in the affairs on the American continent by *any* of the European powers. Monroe accepted the Adams proposal and issued a statement to that effect.

A relatively weak United States might now be pitted against the powers of the Holy Alliance and Great Britain if it chose to contest the issue. Monroe considered that a visit by that renowned hero of both continents, the Marquis de Lafayette, might be just the right thing to garner support for his policy both at home and abroad.

The time could not have been more propitious for Lafayette as well. By 1820, the French General was again at the center of a republican wave in Europe, with young people from Italy, Greece, Spain, Portugal, and even Brazil, gather-



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*In 1781, Lafayette forced Lord Cornwallis into his ill-fated Southern campaign, which finally boxed him in at Yorktown, where the American forces under General Washington won the decisive battle of the Revolution. Shown, the British surrender at Yorktown.*

ing at his door in Paris. That year, there was an attempt to overthrow King Louis XVIII. It failed, and led to increasing police repression in France. By 1823, Lafayette had lost his seat in the Chamber of Deputies, and had made known to friends in America his wish to return there for a lengthy visit. A successful tour in America, correctly reported back to Europe, would help promote those republican ideals which he wished to implant in his native soil. He therefore gladly accepted Monroe's and the Congress's invitation.

### Again on Columbia's Shores

From the moment of his arrival in New York, it was clear that this visit would rekindle the spirit of the American Revolution for a new generation, and bring back into the public eye those veterans who had fought in that conflict.

Congress had been prepared to send a vessel to bring Lafayette to America's shores, but the Marquis felt that this would be too great an imposition. He left France on an American merchant vessel, the *Cadmus*, on July 13, 1824. French authorities were not at all happy at Lafayette's journey. Fearing that the Americans were preparing to seize the French colonies in the West Indies and make Lafayette governor, they sent troops to disperse the crowds that had gathered at the port of Le Havre to see Lafayette off. Lafayette travelled with his son, George Washington Lafayette, and Auguste Levasseur, who would serve as his secretary. Levasseur, himself a veteran of the European revolutionary movement, would send home reports and newspaper clippings, informing the French public of Lafayette's reception in America, and of the workings of the new republic. In 1829, Levasseur would publish a journal of the voyage to America, which, 20 years before Alexis de Toc-

queville, would give the French public a clear sketch of the new American republic and its representatives.

1824 was also an election year in the United States, and the first election in which none of the Revolutionary Old Guard would be running. There was a great deal of interest as to which direction the American Republic would go, now that the founders were dead or retired. The candidates would be John Quincy Adams, William Crawford, Henry Clay, and Andrew Jackson. The first three were serving together in the Monroe Administration, and the cagey Jackson, a product of the American backwoods, was trying to make his mark as the hero of the Battle of New Orleans, in which he defeated a superior British Army on the outskirts of the city, during the War of 1812. Unbeknownst to Jackson and to his British foe, the peace ending the war had already been signed in Ghent (communications were very slow in

those days), but the battle was fought nevertheless, and Jackson emerged the victor. His military "prowess" was used as a means of garnering support in the hinterland; his candidacy also won adherents among the former opponents of Alexander Hamilton in the Wall Street financial community, who hoped to use this populist "poster boy" to capture the White House, and from there, to dismantle the Hamiltonian system, which they hated.

The campaign had already become bitter by the time Lafayette arrived, but the trip served to temporarily put a damper on the partisan attacks. As Levasseur describes it: "For nearly two months, all the discord and excitement produced by this election, which, it was said, would engender the most disastrous consequences, were forgotten, and nothing was thought of but Lafayette and the heroes of the Revolution."

### A Hero's Welcome

As Lafayette arrived in New York Harbor, the sea was filled with ships, containing admiring onlookers eager to catch a glimpse of the returning hero. When he landed at Staten Island to visit the home of Vice President Daniel D. Tompkins, the old General was surrounded by admiring crowds. The story of Lafayette's gallantry during the American Revolution, his wounds suffered at the Battle of Brandywine, his Virginia campaign that forced Lord Cornwallis into his ill-fated Southern campaign which finally boxed him in at Yorktown, the role he played in the initial phases of the French Revolution, an unsuccessful attempt to imitate on the European continent what had been done in America, were all part of legend.

In the welcoming ceremonies at Battery Park, the Marquis reviewed the Lafayette Guard, a regiment of young, elite volunteers clad in uniforms and wearing on their breasts the por-

trait of their General. Time and again, during the 13 months Lafayette spent in the U.S., he would review the local militias, be fêted by the local officials, and greeted by the people of the towns he traversed.

And at every town, he would again be greeted by the veterans of the Revolution. Men grown old and gray, some forgotten but now remembered, regularly turned out to see their old commander; chapters of the various states' Cincinnati Societies would arrange fests and parades wherever Lafayette would go.

### **Reliving the Glory Days of Revolution**

From New York, Lafayette travelled to Boston, the scene of the first stages of the Revolution. The crowds wore "Lafayette ribbons," white ribbons engraved by local printers, in towns where Lafayette receptions were to be held. He dined with the Governor of Massachusetts and spoke at the State House. A welcoming speech was given by Edward Everett, who, years later during the Civil War, would precede Lincoln at the podium at the memorial to the fallen at Gettysburg. "Greetings! Friend of our fathers!" Everett said "May you be welcome on our shores! Happy are our eyes to look upon your venerable features! Enjoy a triumph, which is reserved for neither conquerors nor monarchs, the assurance that here in all America there is not a heart which does not beat with joy and gratitude at the sound of your name."

At Bunker Hill, Lafayette sang the praises of the fallen General Warren. "It is with profound respect that I tread upon this hallowed ground, where the blood of American patriots, the blood of Warren and his companions, gloriously spilled, revived the force of three million and secured the happiness of ten million who live now, and of so many others to be born. This blood has summoned the American continents to republican independence, and has awakened in the nations of Europe the necessity of, and assured for the future, I hope, the exercise of their rights." Lafayette was asked to return to Bunker Hill at the end of his tour the following year, before parting for France, in order to lay the cornerstone for the planned Bunker Hill Monument.

Lafayette then travelled out to Quincy, to visit his old friend, the former President John Adams, now in quiet retirement. The aging statesman was filled with joy at the recognition that his fellow citizens were showing to Lafayette. In Lexington, where he visited the first battlefield of the war, a man approached Lafayette with a rifle, which he said was the gun that his father had used to return the first fire from the British soldiers on April 19, 1775. He wanted to give it to Lafayette as a gift. Lafayette examined the rifle, but returned it to the man saying that he should inscribe on it the date of the battle "April 19," and the name of the brave citizen who made so beautiful a use of it, and then place it in a box in order to preserve it from the ravages of time.

Returning to New York, Lafayette learned that the Society of the Cincinnati had prepared to celebrate his birthday on

Sept. 6. A procession of the aging officers preceded by a military band brought out the town as they made their way to the location where they would share a meal. The room was decorated with trophies of arms, and with 60 banners bearing the names of the principal heroes who died for liberty during the Revolutionary War. Towards the end of the meal, a curtain was raised suddenly, revealing a large transparency representing Washington and Lafayette hand in hand before the altar of liberty, receiving a civic crown from the hands of America. This was greeted by shouts of joy from the veterans. Gen. John Lamb then read a moving ballad, which had been composed in honor of Lafayette in 1792 during the years that he was incarcerated in an Austrian dungeon. Also, in February 1824, a play, "Lafayette, or The Castle of Olmutz," written by the American poet Samuel Woodworth, had been performed at the New York Park Theater.

While in New York City, he also visited the Free School of Young Africans, which was administered by the Society of the Emancipation of the Blacks. Lafayette's attempts to free the slaves in the French colonies had been cut short by the French Revolution.

At a dinner with French residents of New York to celebrate the 47th anniversary of the Battle of Brandywine, the hall was decorated with a gigantic model in relief of the planned Erie Canal. Toasts were given to Lafayette and to Rafael del Riego y Nuñez, a young Spanish colonel, who had forced the Spanish king to accept a constitution, and was later executed for his part in the revolt when the Holy Alliance came to the aid of the embattled monarch.

From New York, Lafayette travelled up the Hudson River to Albany and to the military academy at West Point, where he was greeted by the commandant Sylvanus Thayer. He travelled by carriage with the widow of his close ally Alexander Hamilton, to the plain where the cadets passed in review, after which he was introduced to each of them by Thayer. During the difficult times in Paris, Lafayette had sent his son to the United States for safety; the boy had stayed in New York with the Hamiltons, and then, when George Washington retired to Mount Vernon, he lived with the Washingtons for two years. When asked, by George Washington Parke Custis, for his reaction to the untimely death of Hamilton at the hands of Burr, Lafayette replied. "Hamilton was to me, my dear Sir, more than friend, he was a brother. We were both very young, when associated with our common father; our friendship, formed in days of peril and glory, suffered no diminution from time: with Tilghman and with Laurens, I was upon terms the most affectionate; but with Hamilton, my relations were brotherly."

From New York, Lafayette went on to Philadelphia, stopping by those scenes of old battles at Trenton and Princeton on his way there, with the usual flurry of toasts and celebrations.

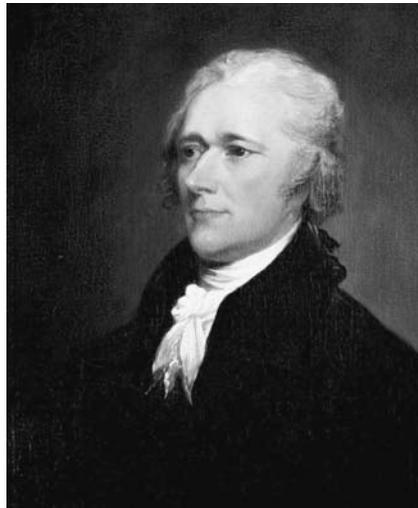
At this time, Philadelphia was still the most sophisticated metropolis in the country. The reception there was grand, and the procession reached about four miles, taking one hour and ten minutes to enter the city. Included in the procession were

150 Revolutionary War veterans, organized by the Society of Cincinnati, drawn in three great cars, each pulled by four horses, each trimmed with red and white bunting. On one side of the car was written "Defenders of Our Country," and on the other "The Survivors of 1776." In the front of the cavalcade was written "Washington," and at the rear "Lafayette." In an address at Independence Hall, Maj. William Jackson addressed General Lafayette on behalf of the Society of the Cincinnati of Pennsylvania. "The lapse of forty years has greatly reduced the roll of our original associates; but their descendants, inheriting the sentiments of their sires, and instructed by the faithful record of your worth, unite most cordially with the surviving few of your companions in arms to felicitate your arrival, and to cherish your residence in the land of your adoption, whose unrivaled prosperity must impart the most pleasing sensations to your sympathetic breast, and even enhance the grateful and unanimous congratulations of a free and happy people," Jackson said.

In reply to remarks from the mayor of Philadelphia, Lafayette said: "Here, sir, within these sacred walls, by a council of wise and devoted patriots, and in a style worthy of the deed itself, was boldly declared the independence of these vast United States, which, while it anticipated the independence, and, I hope, the republican independence, of the whole American hemisphere, has begun, for the civilized world, the era of a new, and of the only social order, founded on the unalienable rights of man, the practicability and advantages of which are every day admirably demonstrated by the happiness and prosperity of your populous city." The hall, which was then in a serious state of disrepair, would receive a new lease on life as a memorial to the founding of the nation after the visit of Lafayette.

In Philadelphia, Lafayette was accompanied by Secretary of State John Quincy Adams. One of the contenders in the upcoming election, Adams' presence with the old Revolutionary War hero, and the numerous toasts and speeches Adams himself made in Lafayette's honor, which were dutifully reported in the local papers, certainly helped secure, in the eyes of the public, Adams' credentials as a suitable successor to that departing generation of Founding Fathers, a fact of which the wily General was quite aware.

Visiting Fort McHenry in Baltimore Harbor, where the British had been thwarted in their taking of the city, and where Francis Scott Key composed his "Star-Spangled Banner," Lafayette was greeted by veterans of the War of 1812, some of whom still bore their wounds. In the middle of the fort, the tent that General Washington had used in 1777 at Dorchester Heights, was set up to greet the "Nation's Guest," as Lafayette



*When asked for his reaction to the murder of Hamilton by Aaron Burr, Lafayette replied. "Hamilton was to me, my dear Sir, more than friend, he was a brother."*

had come to be designated. In it, the aging Col. John Eager Howard, a veteran of both the Revolutionary War and the War of 1812, greeted Lafayette on behalf of the Maryland branch of the Society of the Cincinnati. In the procession that followed the visit, the band played "The March of Lafayette," just one of the numerous ballads and poems composed in this period in Lafayette's honor.

### **The Election of 1824**

Adams accompanied the General to the new nation's capital. First occupied by the government in 1800, the area had been a wilderness during Lafayette's first visit to the country. Designed by Maj. Pierre L'Enfant, a compatriot of Lafayette who had also served during the Revolution, and a founding member of the Society of the Cincinnati, the grand design

of L'Enfant had hardly been realized by 1824, a fact that had been duly noted by Levasseur: "Drawn on a gigantic scale, the plan of Washington cannot be filled out for a century," he wrote. "Without its public monuments, one would take it for a newborn colony, striving to clear land for cultivation."

Lafayette was graciously received by President Monroe at the White House. He spent several days in the capital, visiting the university at Georgetown, the Navy Yard, Columbian College (now Gallaudet University), as well as all the living relatives of George Washington, dining with his granddaughter Eliza at the Law House near the river, at Martha Washington Peters' house in Georgetown, and with George Washington Parke Custis at Arlington House on the Virginia hill overlooking the city of Washington. Custis had built a great Greek-revival mansion on the hill, which served as a memorial to George Washington, the man who adopted him, Martha's grandson by a previous marriage, when the young man's father died serving on Washington's staff during the Revolution. Now, and on his return trip, Lafayette would spend much time speaking with Custis, a boyhood friend of his own son, who would then publish their talks in the local papers in a series entitled "Conversations with Lafayette."

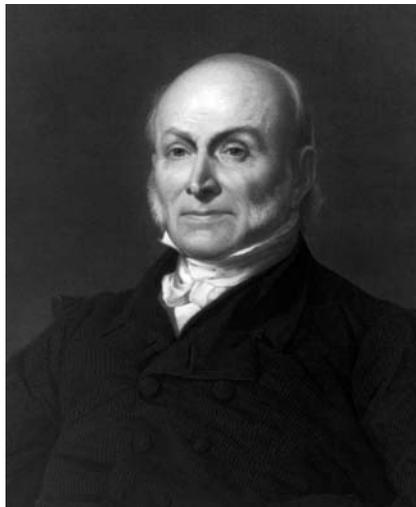
On Dec. 8, Lafayette visited the Capitol. He was presented in the Senate, after which the Senate adjourned so that its members could individually greet their visitor. On the following day, he was invited to the House of Representatives, where he was introduced by Speaker of the House Henry Clay. In his moving introductory speech, Clay noted: "Often we have formed the vain desire that Providence should permit the patriot to visit his country after his death, to contemplate there the changes to which time has given birth. Today, the American patriot of times passed would see forests cultivated, towns founded, mountains leveled, canals opened, great roads built, great prog-

ress made in the Arts, the Sciences and in the increase of population.” Clay praised the steadfast role that Lafayette had played in the recent turbulences in Europe. “The approbation of the American people for my conduct in the vicissitudes of the European Revolution is the greatest that I could receive,” Lafayette said in his reply. “To be sure, I can stand fast with head held high, when in their name and by you, Mr. President, it is solemnly declared that on each occasion I have stayed faithful to American principles of liberty, equality and true social order to which I have been devoted since my youth, and which, till my last breath, will be a sacred duty to me.” Congress also awarded Lafayette a payment of \$200,000 for services rendered to the American Republic.

The presence of Lafayette at the nation’s capital also corresponded with the most critical moment of the 1824 election campaign. Although he had invitations to visit all the Western states, he delayed his stay in Washington until after the elections. During the vote-counting, there were many celebrations in his honor. On Jan. 9, at an entertainment organized in honor of Lafayette, Quincy Adams and Clay were both in attendance. And it might have been on this occasion that these two worked out the plan by which they would prevent a Jackson victory. On Feb. 9, 1825, the electoral votes were counted. While Jackson had received the most votes, he had not received a clear majority, and the vote was thrown, for the first time, into the House of Representatives. The House then proceeded to elect John Quincy Adams President, as Henry Clay, who was also a candidate, according to their previous arrangement, swung his votes in favor of Adams, putting Adams over the top. Adams was inaugurated on March 4, and Henry Clay was named Secretary of State. This combination, together with Richard Rush at Treasury, would serve to anchor the principles of the American System firmly at the helm of state for the next four years. Whatever role Lafayette may have otherwise played in the election, it was clear that his tour had raised the patriotic fervor in the land that helped his friend get elected.

### ‘Much To Deplore, Much To Admire’

From the nation’s capital, Lafayette headed south to Williamsburg and to the battlefield of Yorktown, where there were to be held great celebrations. On his way he paid a visit to Mount Vernon to visit the tomb of his adopted father, George Washington. He was accompanied to the tomb by George Washington Parke Custis, who bore around his neck a Cincinnati ribbon on which hung a ring with a lock of Washington’s hair. The tomb was opened, and Lafayette entered. “The general descended the steps and kissed the leaden cells



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*Lafayette’s triumphant return to America helped to secure the victory of his ally John Quincy Adams (left) as President in the 1824 election; Henry Clay became Adams’ Secretary of State.*

which contained the ashes of the great chief and his venerable consort,” Custis later wrote, “and then retired in an excess of feeling which language is too poor to describe.” Custis then presented him with the ring as a gift and a memorial to his departed commander-in-chief. Custis then gave the ribbon on which the ring had hung to Major Ewell, a veteran of the Revolution, so that it might be divided among the veterans of that war. Lafayette visited the Mount Vernon house, and saw, still hanging on a nail above the door where Washington himself had placed it, the key to the Bastille prison, that foul den of torture and deprivation during the Ancien Régime, which Lafayette had sent to Washington when the Bastille was stormed in 1789 and its inhabitants released.

From Mount Vernon, he travelled south to Williamsburg and to Yorktown. At Yorktown, awaiting the ceremonies, Lafayette established his headquarters in the house where Lord Cornwallis had held court prior to the Battle of Yorktown. This would not have been the first time that Lafayette would have received satisfaction at Cornwallis’s expense. Lafayette related a story to Custis about how, on a visit to the court of Frederick the Great, the mischievous “Old Fritz” had placed Lafayette at dinner between Cornwallis and the Duke of York, expressing the hope that the General would not take it amiss. When Old Fritz inquired of Lafayette his opinion of George Washington, he referred him to Lord Cornwallis sitting next to him, noting wryly, “His acquaintance with the person of the Great Chief, was of longer standing than mine.”

A full day’s celebration was held to commemorate the battle and its hero Lafayette. At Yorktown, Lafayette had delayed making any attack on Cornwallis until Washington himself had arrived to have the honor of command at this, the final battle, in spite of urging from the French naval commander to proceed. From here, Lafayette travelled to Monticello where he spent several days with Thomas Jefferson, and to Montpe-



*Lafayette greets the troops of the 2nd Battalion, 11th New York Artillery, in New York City, July 14, 1825. This unit later adopted the title "National Guard" in honor of Lafayette's Garde National de Paris.*

lier to visit James Madison. Now traveling through the Southern states, Lafayette would be confronted with the ugly reality of slavery. He did not shrink from discussing its evils. Levasseur relates in his journal: "General Lafayette, who, while understanding very fully the troublesome position of the Slave-owners in the United States, and not being able to disregard most of the obstacles that stand in the way of a more speedy emancipation of the Blacks, nevertheless, never missed the occasion to defend the right that all men, without exception have to liberty, and to raise in the midst of Mr. Madison's friends the question of Slavery."

When later asked about his feelings on his trip South by Custis, Lafayette replied: "I am well aware of the cloud of evil which o'erhangs and shadows the South. Tis true she [the South] has much to deplore, but has much too to admire; for she still boasts of sons the most patriotic and enlightened, the most generous and hospitable, and contains in her soil, a grave most revered," referring to one of his former commanders and dear friend, Maj. Gen. Nathanael Greene.

In South Carolina, Lafayette visited the tomb of Baron DeKalb, a young German officer killed at the Battle of Camden, who had accompanied him on his trip to fight in the Revolution. Lafayette dedicated a memorial to the Baron, just one of many monuments that would be raised to Revolutionary War heroes in the wake of Lafayette's trip. In Georgia, he laid the cornerstone for a monument to Greene, whose daughter had lived for a year with Lafayette's family in Paris. He also laid the cornerstone for a monument to Count Casimir Pulaski, the Polish general who had organized Washington's cavalry during the Revolution, and who was killed in the Battle of Savannah. Architect Robert Mills, who would later

design the Washington Monument in Washington, D.C., was intimately involved in the Southern monument projects that Lafayette had launched. Indeed, the following years would see a revival of monument-building unparalleled in American history.

### **On the Banks of the Mississippi**

From Georgia, Lafayette went through Alabama and Mississippi. A large portion of these states were still a part of Indian territory, and here Lafayette encountered many of their representatives. Here too the name of Lafayette was well known, both by those who had fought on the American side, and by those who had fought against. Spending some time in one of the Indian villages, the guest of Captain Kendall Lewis, a former U.S. Army officer, who had married the daughter of a Creek chief and adopted the life of the Indians, Lafayette received a delegation from a neighboring tribe. In a peroration

given by the chief, he praised Lafayette's courage in the war against the English, then concluded: "Father, they will speak for a long time among us about how you returned to visit our forests and our cabins, you whom the Great Spirit had sent in days of old from the other coast of the great lake in order to chase out the enemies of men, the English, with their blood-red coats. The youngest among us will tell their grandchildren that they have touched your hand and seen your face; perhaps they will see you again yet, because you are the favorite of the Great Spirit and you do not grow old, you would still be able to defend us if we were ever menaced."

Later, while travelling to Kaskaskia, Illinois, Lafayette met an Indian girl, who had kept a memento from her father, a letter written by Lafayette in 1778, from his headquarters in Albany, thanking him for the courageous manner with which he had served the American cause. Her father had been chief of one of the Nations that lived on the shores of the Great Lakes, and had fought with 100 of his men under the command of Lafayette, when the General commanded an army on the frontiers of the North.

Lafayette would continue his way West, visiting Mobile, New Orleans, and St. Louis, and reminiscing with many of the numerous French emigrants who had first settled the area, many of whom remained when the area was ceded to the United States. Here too he ran into soldiers who had served under him at Brandywine, as well as one who had served in his French command in 1791, during the wars with the powers that had invade France during the French Revolution. In New Orleans, he was met by a delegation of resident and refugee Spaniards, expressing gratitude for the stand he had taken against the French invasion of Spain. In response, Lafayette

told them: “Already your beautiful language, the language of Padilla, has become, over an immense area of this hemisphere, a language of independence and republicanism; already, at two different times, in the country of the illustrious, preeminent Riego, it has made heard the most eloquent and most generous sounds in the bosom of the Cortes, and whatever

may have been the temporary success of a war detested, I like to think, by the French people, and of a deceitful influence about which the Spanish patriots have nothing more to learn, liberty will return soon to enlighten and to make fruitful this most interesting part of Europe.”

In St. Louis, he would spend time as the guest of Gen.

## Lafayette in Congress: Bids Farewell to America

Lafayette addressed a joint session of Congress on Dec. 9-10, 1824, where he was greeted by Speaker of the House Henry Clay with the following words:

The vain wish has been sometimes indulged, that Providence would allow the patriot, after death, to return to his country, and to contemplate the intermediate changes which had taken place—to view the forests felled, the cities built, the mountains levelled, the canals cut, the highways constructed, the progress of the arts, the advancement of learning and the increase in population—General, your present visit to the United States is a realization of the consoling object of that wish. You are in the midst of posterity. Everywhere, you must have been struck by the great changes, physical and moral, which have occurred since you left us. Even this city, bearing a venerated name, alike endeared to you and to us, has since emerged from the forest which then covered its site.<sup>1</sup>

Lafayette :

... You have been pleased Mr. Speaker, to allude to the peculiar felicity of my situation, when after so long an absence, I am called to witness the immense improvements, the admirable communications, the prodigious creations, of which we find an example in this city, whose name itself is a venerated palladium; in a word, all the grandeur and prosperity of those happy United States, who, at the same time they nobly secure the complete assertion of American independence, reflect, on every part of the world, the light of a far superior political civilization. What better pledge can be given, of a persevering national love of liberty, when these blessings are evidently the result of a virtuous resistance to oppression, and

1. Both the U.S. population and its territory quadrupled from 1775 to 1825, from 2.5 million people and 393,152 square miles in 1775, to 11.3 million people and well over 1.6 million square miles in 1825.

institutions founded on the rights of man, and the republican principle of self-government.

The day before Lafayette left to return to France, on Sept. 6, 1825, he again appeared before a joint session of the Congress. President John Quincy Adams spoke:

... Go, then, our beloved friend—return to the land of brilliant genius, of generous sentiment, of heroic valour; to that beautiful France, the nursing mother of the twelfth Louis, and fourth Henry; to the native soil of Bayard and Coligni, of Turenne and Catinat, of Fenelon and D’Aguesseau. In that illustrious catalogue of names which she claims as her children, and with honest pride holds up to the admiration of other nations, the name of Lafayette has already for centuries been enrolled. And it shall henceforth burnish into brighter flame; for if, in after days, a Frenchman shall be called to indicate the character of his nation by that one individual, during the age in which we live, the blood of lofty patriotism shall mantle in his cheek, the fire of conscious virtue shall sparkle in his eye, and he shall pronounce the name of Lafayette. Yet we, too, and our children, in life and after death, shall claim you for our own. ...

Lafayette, in his last speech on American soil, responded:

... I have had proudly to recognize a result of the republican principles for which we have fought, and a glorious demonstration to the most timid and prejudiced minds, of the superiority, over degrading aristocracy or despotism, of popular institutions founded on the plain rights of man, and where the local rights of every section are preserved under a constitutional bond of union. The cherishing of that union between the states, as it has been the farewell entreaty of our great paternal Washington, and will ever have the dying prayer of every American patriot, so it has become the sacred pledge of the emancipation of the world, an object in which I am happy to observe that the American people, while they give the animating example of successful free institutions, in return for an evil entailed upon them by Europe, and of which a liberal and enlightened sense is everywhere more and more generally felt, show themselves every day more anxiously interested....

William Clark, of the Lewis and Clark expedition, who fascinated the visitor with the many exotic items that he had brought back with him from that trip. Here he also was a guest at the house of old Auguste Chouteau and his son, Pierre, Auguste having founded the city of St. Louis. Lafayette was also visited here by the son of Alexander Hamilton, which gave him great joy.

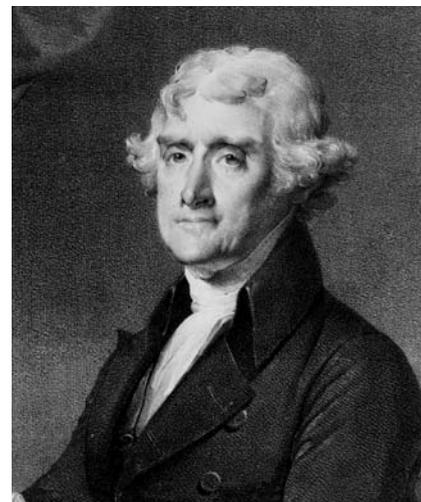
From St. Louis, he repaired up the Ohio and Cumberland Rivers, being forced to abandon ship when his boat hit a snag in the river. He visited Gen. Andrew Jackson, now licking his wounds after his defeat, and plotting a comeback, at his home in Tennessee, and stopped by Lexington, Kentucky, where he was astounded by the new institutions of higher learning being established in this wilder-

ness area, and Ashland, the home of Henry Clay, who remained in Washington in his new post as Secretary of State. In a speech in Kentucky, Lafayette singled out Clay for praise: "To your interesting remarks on the progress of knowledge in the States of the West, I shall add that already the western stars of the American constellation have shone with the greatest brilliance in the national councils. South America and Mexico will never forget that the first voice that made itself heard in Congress for recognition of their independence was a Kentuckian voice; just as they can never forget that it is to the wise and vigorous declarations of the Government of the United States that they owe the disappointment of certain hostile schemes against their independence, and their most speedy recognition by the European powers."

Then he was off to Ohio, where he was greeted by Gen. William Henry Harrison, a hero of the War of 1812, and later President of the United States. From there, he followed the Ohio River to Pittsburgh, and then up to New York and to Boston, travelling part of the way on the still uncompleted Erie Canal, where he, on June 17, the 50th anniversary of the Battle of Bunker Hill, laid the cornerstone for the Bunker Hill Monument. With him were Daniel Webster, who gave one of his finest orations, praising the General for having conducted that "electric spark of liberty" from the New World to the Old. After the dedication, Lafayette left for New York by way of New Hampshire and Vermont, where he celebrated the Fourth of July, and then proceeded to Washington for final adieu and the voyage home.

## A Final Farewell

On his arrival back in Washington, Lafayette was asked to stay as Adams' guest in the White House, to rest before his final voyage, and for intimate conversations in the evenings. Adams accompanied the General for a visit to Monroe at his home in Oak Hill, and to Leesburg and Loudoun County, Vir-



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*In Quincy, Mass., Lafayette visited his old friend, former President John Adams. He also travelled to Monticello where he spent several days with Thomas Jefferson. Adams and Jefferson both died on July 4, 1826, the 50th anniversary of the Declaration of Independence.*

ginia, where celebrations had been prepared in his honor. Lafayette and his son also paid a final farewell to Jefferson at Monticello.

Adams had outfitted a new frigate, built in the Washington Navy Yard, which was christened *The Brandywine*, which would carry Lafayette back to France. As the United States did not yet have a naval academy, young midshipmen were assigned directly to ships to learn their craft. Ordinarily, there would be seven or eight such midshipmen on any ship. Adams, however, was receiving requests from all over the Union from parents who wanted to place their sons on the ship that would take Lafayette back to France. Instead of the usual eight midshipmen, the *Brandywine* thus carried 24, one from every state of the Union. In addition to their training, these young sailors would hear the stories from Lafayette, who was delighted to be surrounded by these young men, of the glories and trials of the Revolution and the courage of the men who had fought in it. Lafayette was scheduled to leave on Sept. 7, the day after his birthday. His birthday was celebrated in one of the most magnificent White House dinners ever held there.

On the following day, as the time for parting arrived, both Adams and Lafayette were extremely moved and saddened. Adams offered a tribute to the General. "In the illustrious catalogue of names, which [France] claims as of her children, and with honest pride holds up to the admiration of other nations, the name of Lafayette has already for centuries been enrolled. And it shall henceforth burnish into brighter fame; for if, in after days, a Frenchman shall be called to indicate the character of his nation by that of one individual, during the age in which we live, the blood of lofty patriotism shall mantle in his cheek, the fire of conscious virtue shall sparkle in his eye and he shall pronounce the name of Lafayette."

The regime of the new king, Charles X (Louis XVIII having died in the meantime) looked with trepidation at the return

of the republican hero. A Royal Guard was sent to disperse any large public manifestations. In Rouen, crowds were dispersed by the Guard when they met to greet him. When Lafayette retired to his hotel, however, a large group of young people gathered there to protect him from further incursions by the Guards. While the Guards increased their pickets, no further incidents were perpetrated.

Lafayette was greeted in his home town as a conquering hero, with great celebrations in his honor. The following year he would again be returned to the Chamber of Deputies, and his house in Paris would again be a gathering spot for republicans from all over the world.

In the United States, the visit of Lafayette had long-lasting consequences. Now arose an interest in creating monuments in every city to the heroes of the American Revolution. A committee to design a monument to Washington in the nation's capital was soon to be established. The souvenir industry was born in the United States, with plates and teacups and pitchers and gold medallions emblazoned with pictures of Lafayette and memorials in his honor; 1824 saw the publication of several new biographies of Lafayette, several editions of his memoirs, numerous descriptions of the year he spent here, and hundreds of lithographs and paintings depicting scenes

from the Revolution and from his visit. Indeed, the visit of the General also served to pave the way for the next major celebration of the United States: the 50th anniversary, in 1826, of the founding of the Nation, the "Jubilee of Freedom," and a day on which, most astoundingly, the last two Founding Fathers, John Adams and Thomas Jefferson, would depart this life, leaving the fate of the nation in the hands of the new generation, but one that had been so fortunately touched by the visit of the noble Lafayette.

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## Cooper, Poe, Lafayette, And the Cincinnati

In a recent visit to the Society of the Cincinnati headquarters in Washington, D.C., this author was shown a directory of all of the known Revolutionary War officers who were qualified for membership in the Society. Among the names on the roster were David Poe and William Cooper.

David Poe was the Deputy Assistant Quartermaster General of the Continental Army. He served for much of the Revolution as the Quartermaster General for the Marquis de Lafayette. David Poe was also the grandfather of the famous American republican writer and intelligence officer, Edgar Allen Poe.

When Lafayette returned to America in 1824-25, he sought out his old Revolutionary War friend, David Poe, during his visit to Baltimore. Although David Poe had died, Lafayette visited his gravesite with his widow. Weeks later, while visiting Richmond, Virginia, Lafayette met David Poe's grandson, Edgar.

After spending three years in the U.S. Army, Edgar Allen Poe entered West Point in June 1830. Gen. Winfield Scott was one of the officers who recommended Poe for the Academy. In Feb. 1831, Poe resigned from West Point, but not before receiving a letter of recommendation from the Commandant, Sylvanius Thayer, to be commissioned as an

officer in the Polish Army. An 1832 letter from the French patriot and writer Alexandre Dumas to a friend in Italy, reports: "It was about the year 1832. One day, an American presented himself at my house, with an introduction from... James Fenimore Cooper. Needless to say, I welcomed him with open arms. His name was Edgar Poe. From the outset, I realized that I had to deal with a remarkable man..."

William Cooper, another Revolutionary War officer qualified for membership in the Society of the Cincinnati, was the father of another famous American republican writer and intelligence officer, James Fenimore Cooper.

When Lafayette arrived in the U.S.A., the young Cooper was asked by the Frenchman to catalogue his observations of America during his year-and-a-half long visit. At the time, Cooper was part of a republican circle in New York City, known as the Bread and Cheese Club, which also included Washington Irving and Samuel Finley Breeze Morse. Morse, a painter, won the New York City competition to do the official portrait of the Marquis de Lafayette, commemorating the visit to America.

Within a year after Lafayette's return to France, Cooper and Morse travelled to Europe. In Paris in 1831-32, Cooper and Morse were leaders of the American Polish Committee, patronized by Lafayette, and supporting the republican revolution then under way in Poland. Poe, of course, according to the Dumas account, was there as part of the same effort.

—Jeffrey Steinberg

# Editorial

## No Excuses

The Democratic leadership of the Congress has all but abandoned the ship of state for the year 2007. With the minor exception of Senate Majority Leader Harry Reid's decision to keep the Senate technically in session over Thanksgiving, in order to prevent recess appointments by President Bush, the Reid-Pelosi team has thrown in the towel. House Majority Leader Steny Hoyer has announced that there will be no new legislation pursued before the end of the year; the Senate is, similarly, waiting out the clock.

And what will they say as the U.S. dollar and economy plummet into the abyss, and if Vice President Cheney succeeds in getting his long-advertised war against Iran? Undoubtedly, "It's Bush and Cheney's fault. Elect us in November 2008, and we'll deal with the problem."

*Not true.* There is absolutely no objective impediment, or excuse, at this moment for the Congress not to take the two decisive measures which would deal effectively with both of these crises:

- First, immediately pass LaRouche's Homeowners and Bank Protection Act, which will freeze the values of mortgages, freeze foreclosures, and start us on the road of rebuilding the economy.
- Second, immediately launch impeachment proceedings against Dick Cheney, as the only chance to prevent a war-without-end against Iran.

Nor is it true that the Democrats could "make it better" if they were to win in the 2008 Presidential elections. As many military spokesmen, alarmed at the imminence of a U.S. assault on Iran, have emphasized, the launching of that new war would create disasters beyond the wildest imagination. The genie of irregular, clash-of-civilizations warfare will not be able to be put back into the bottle.

Listen, for example to the testimony of the witnesses at the Nov. 14 hearing of the House National Security Subcommittee, chaired by Rep. John Tierney (D-Mass.). The question on the table was whether there are any military options for dealing with the threat allegedly posed by Iran's nuclear program. The witnesses included Col. Larry Wilkerson (ret.), former chief of staff to Colin Powell; Col. Sam Gardiner (USAF, ret.);

retired CIA analyst Paul Pillar; and Lt. Gen. Paul Van Riper (USMC, ret.). The four witnesses agreed: If the United States launched military strikes on Iran, the result would be a strategic blunder much worse than the U.S. invasion and occupation of Iraq.

Wilkerson said the result would be "disastrous," and argued that such strikes would spur the Iranians to accelerate their nuclear program, and would solidify the population behind the government. The United States, he said, "would reinforce strategic failure." Gardiner went through what the potential major military targets are in Iran, and concluded that in every case, the effectiveness of air strikes would be limited, but would put the U.S.A. on the road to a war *it could not end*.

In discussion with *EIR* before the hearing started, Wilkerson too emphasized that once such a war starts, there's no way out.

Pillar warned the panel that "Iranians would consider any action aimed at crippling Iranian nuclear capabilities as an act of war," and that the most likely Iranian response would be in the realm of asymmetric warfare. General Van Riper argued that the present leadership of the Bush Administration has no comprehensive understanding of the complexities of international relations, or complexity of consequences that can occur when military force is used.

This may be technical, even somewhat bureaucratic language, but the meaning is clear: A war against Iran will plunge the Earth into Hell.

Also, the physical economic devastation that will result from an unchecked financial devolution, already in process, will rival that of perpetual irregular warfare—perhaps best called World War III. True, the world has become inured to the mass deaths from starvation and disease which already characterize the shortening lifespans of much of the populations of Africa, Asia, and South and Central America. But this too, is just the beginning of the bestiality and chaos which can be expected to sweep the entire world, if all protections for the sovereignty of the nation-state collapse.

But *these horrors can be stopped*, if the actions outlined above are taken. The Congress has no excuse for not acting, and neither do you.

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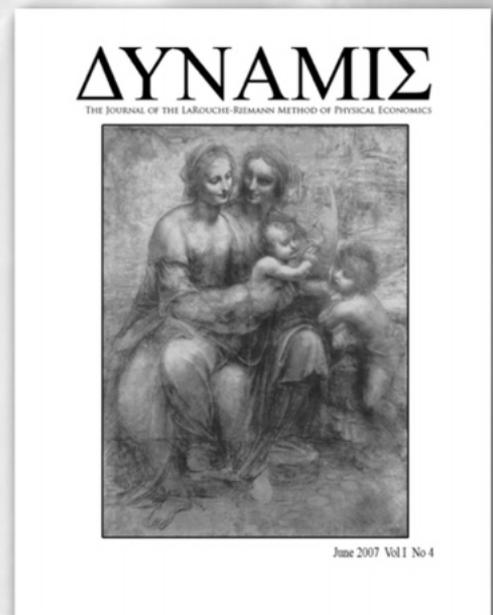
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