ample pretext for seizing the oil fields to secure them from threats. And then, why give them back? A puppet ruler might be found internally. . . . Or a reliable friend could be imported. . . . The holy cities of Mecca and Medina could be left to the Saud family, or returned to Jordan's Hashemite dynasty." He adds that such an arrangement "for the next century," could turn the "vast Gulf oil wealth" from a "nuisance . . . into an asset" for the United States.

Isolating The Brzezinski Madmen

So far, not a single official from any branch of the U.S. government has come out publicly against the Brzezinski-Wolfowitz cabal. However, behind the scenes, the pressure is building, and the activity of the LaRouche campaign can make the decisive difference.

Also significant is the fact that foreign leaders have responded to the "Phase II" propaganda by stating they would not join any such operation. Russian Deputy Foreign Minister Alexander Saltanov said that attacking Iraq would bring down the coalition against terrorism, increase tensions in the Arab world, aggravate the Palestinian situation, and destabilize the Persian Gulf.

As reported by the Russian news agency Interfax on Nov. 28, Saltanov said, "In such circumstances, it would hardly be possible to preserve the unity of the international anti-terrorist coalition," because Arabs "are known to oppose the broadening of the anti-terrorist operation to the region, including Iraq." Reports about such an option, he said, "cause concern," adding that the Iraq problem "does not have a military solution" but "can be solved only by political and diplomatic methods."

As if to illustrate Saltanov's statements, Arab League head Amr Moussa said that any attack against Arabs would have "dangerous repercussions," especially in view of what is occurring in Palestine. Jordanian spokesman Saleh Qallab said that his country "rejects the issue of force against Iraq." Even the leading European countries in the coalition—Germany, France, and Britain—oppose any action against Iraq. German Chancellor Gerhard Schröder said that he opposes naming additional countries, besides Afghanistan, as targets for new military strikes. Especially in the Mideast, this would have a destabilizing effect and "start things flying around our ears that we cannot keep under control." German Foreign Minister Joschka Fischer, who had a long telephone conversation with Putin the evening before, echoed Schröder's concerns. French Defense Minister Alain Richard also opposed action against Iraq, saying, "The evidence we have . . . shows no other nation to have become an active ally of this organization." And British Defense Minister Geoffrey Hoon was quoted saying he thought that an "invasive military response" might be needed in countries unable to deal with terrorism, but he excluded attacks on Iraq: "I have not seen any evidence to link Iraq directly with al-Qaeda," he said.

The 'LaRouche Factor' In Enron's Demise

by Harley Schlanger

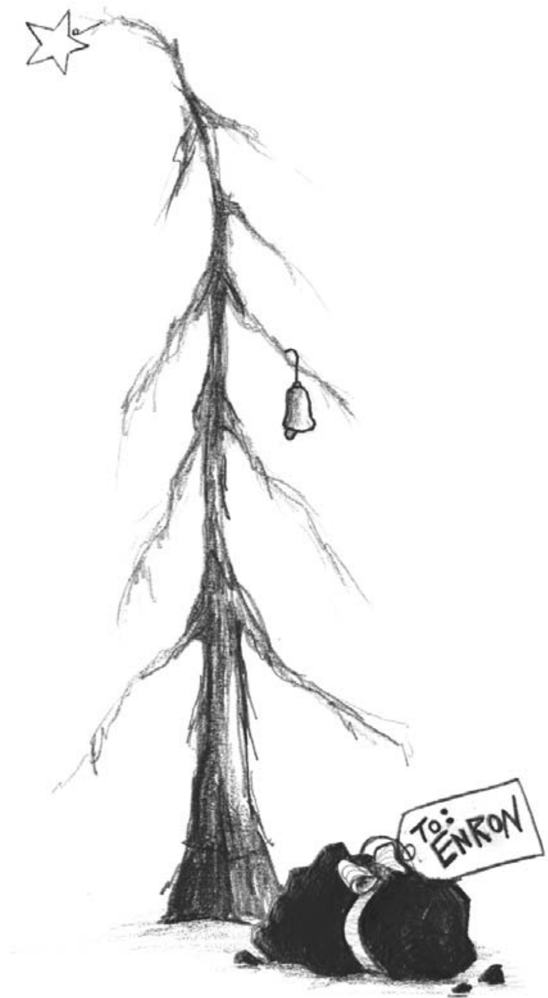
In several webcasts after Nov. 7, 2000, economist Lyndon LaRouche identified the key political initiative which Democrats and patriotic Republicans must take if the nation were to be spared from disintegration in the aftermath of the election debacle: The "Southern Strategy" must be defeated, once and for all. LaRouche pointed to the energy crisis, which was just then becoming visible in California—the result of a lethal mixture of post-industrial environmentalism and deregulation, both major components of the Southern Strategy—as an example of the bleak future facing the nation if this offensive were not successful (see *EIR,* Jan. 1, 2001, "Southern Strategy: Assault On The American Republic").

In particular, LaRouche singled out Houston-based Enron, as a leading institution behind the Southern Strategy, for its role in promoting the blatant looting of the collapsing U.S. economy. Enron had become the largest energy trader in the world through a variety of manipulations, some of which were legal, others not. Taking advantage of the deregulation of energy, for which it had spent many millions lobbying, Enron moved aggressively, engaging in what the Feb. 12, 2001 *BusinessWeek*—in a cover story entitled "Power Play," which hyped Enron as the paradigm for the new corporation in a deregulated America—referred to as "the financialization of energy."

As Enron's revenues surged above $100 billion in 2000, with total net income up 150% above 1999, its executives arrogantly predicted that, in the years ahead, its trading practices would revolutionize business in the United States and worldwide.

The political climate certainly seemed to favor Enron's continuing ascent. The new President, George W. Bush, relied heavily on its CEO, Kenneth Lay, for advice on energy policy, and massive financial support. The Congress elected on Nov. 7 had a pro-deregulation, Republican majority in both Houses. It featured a compliant Democratic minority with a "go along to get along" approach, which had blown its chances in the elections by backing the only Democrat who could lose to Bush, the unelectable Al Gore, a true believer in the anti-American philosophy of the Southern Strategy.

Thus, the spectacular meltdown of Enron in late November is both remarkable, and apparently inexplicable. But con-



sider the growing influence of Lyndon LaRouche, and who has been right in his forecast that the present global financial system is dead, and cannot be revived—and that the economy has been physically destroyed, to the extent that it can no longer sustain parasites like Enron.

Enron And California

It was Enron's leading role in the destruction of the California economy which brought it to the attention of most Americans. Though California was first hit by the effects of deregulation in the Summer of 2000, when electricity prices for residences and commercial enterprises rose by 400% in San Diego, it was the dramatic spike of prices statewide in December which brought home the reality of the crisis.

As speculation, pushed by the trading-room practices of Enron, drove up the price of natural gas, the cost of electricity jumped from the long-term, stable industry-wide standard of approximately $35 per megawatt-hour (mwh), to more than $500 per mwh, with the cost to the state's utility companies during peak demand soaring to as much as $1,900 per mwh and, once, to nearly $4,000 per mwh!

Pacific Gas & Electric, which serves northern California, was forced into bankruptcy protection, while the other major utility, Southern California Edison, was close to doing the same throughout 2001. With the utilities unable to afford to purchase electricity at these prices, the state became the buyer of last resort, purchasing electricity from the spot markets.

While California Gov. Gray Davis (D) denounced the gouging by those he appropriately called the "energy pirates," he initially failed to name the names—of which Enron's was first—and did not move to reverse the cause of the problem by taking initiatives to re-regulate electricity. Despite control of the state legislature by Democrats, no action was taken; legislators thought they had been compromised by the unanimous vote they cast for deregulation in 1996.

Appeals to Enron, Reliant, and Dynegy, the major players from Houston, and the other "pirates," fell on deaf ears. The most arrogant response came, naturally, from Enron. In the favorable profile of Enron's looting practices in *BusinessWeek,* Enron President Jeffrey Skilling—the hand-picked choice of CEO Lay to replace him—bragged that Californians should be thanking Enron for "opening" the state's power markets to competition. "We're on the side of the angels," he said. "We're taking on the entrenched monopolies. In every business we've been in, we're the good guys."

In the unregulated world of the energy pirates, electricity is no longer considered to be a necessary part of the general welfare, to be regulated by government, but merely another commodity, subject to the whims of the "market." The state of California, by attempting to cushion the blow by making direct purchases, may spend as much as $30 billion of state funds this year alone, while committing billions more in long-term contracts. Combined with the collapse of the dot-com sector, especially in the Silicon Valley—also forecast by LaRouche—state revenues have plunged, and California went from a significant budget surplus to a deficit of more than $12 billion, forcing cuts in state spending in infrastructure, education, and health care.

However, the miscalculations of Enron, and the braggadocio and sense of indestructibility of its officials, have come back to haunt it. One informed source told *EIR* that it is likely that Enron's rapid fall may be in part due to its placement of derivatives bets, on the expectation that oil and gas prices will peak again this Winter.

Instead, with the Bush Administration fighting to keep energy prices down, in a vain attempt to encourage consumer spending to generate an "economic recovery," time has run out on Enron's "good fortune." When it needed $1-3 billion just to keep its doors open, the "market" turned its back on the energy-market master, which is now heading for well-earned, penny-on-the-dollar bankruptcy. How far the "angels" have fallen!

LaRouche Takes The Lead

This story is incomplete without returning to the role of LaRouche, who announced his campaign for the Democratic Presidential nomination in 2004 as the California crisis was just beginning.

LaRouche issued a policy statement on Feb. 4, "On The California Energy Crisis: As Seen And Said By The Salton Sea" (*EIR,* Feb. 16, 2001), released as a campaign pamphlet, in which he analyzed the crisis, and offered his immediate, medium-term and long-range policy solutions. In it, he wrote, "The first step . . . is to put the entire, formerly regulated sections of our nation's energy industry under Chapter 11 bankruptcy protection . . . putting some entities under Chapter 11 protection immediately, but it also means putting the protective umbrella, of Federal and state government threat to provide such protection, to any relevant entity within the domain of maintaining national and regional energy security.

"As a leading feature of that use of Chapter 11 methods, bankruptcy reorganization must be conducted to further the aims of immediate reinstitution of former types of Federal and state regulation of the generation and distribution of the nation's energy supplies; that, at prices sustainable by businesses and typical households, and consistent with pre-2000 trends in such prices.

"The difficulty in taking those urgently needed reforms of corrective action, is not only that deregulation has become, like cocaine, a habit; but that the financial interests associated most closely with the campaign for the election of the present administration, represent chiefly a Southern Strategy-based complex of financial interests which are deeply committed to defending the revenues from activities which are choking California's economy to death at this moment."

LaRouche repeatedly hit the Enron-led cartel responsible for this unsustainable looting of California and other states.

Hundreds of thousands of these pamphlets were circulated in California, with teams of lobbyists, especially young students recruited to the LaRouche campaign, going to Sacramento to push the legislature and the Governor to act. In addition, town meetings were held throughout the state, targetting Enron and its fellow looters.

Within weeks, the Governor took off the gloves, finally charging Enron, Reliant, and others by name, with rigging the crisis to profiteer. The state Attorney General went so far as to say that he looked forward to seeing Lay and others spending time in prison, "in a cell with a big guy named 'Spike.' " Investigations produced evidence of price-fixing, and creating artificial shortages to justify the ridiculous prices.

Still, no one, including the Governor, would challenge deregulation, and the crisis deepened.

At the same time, LaRouche and *EIR* took the fight to Washington, in webcasts, days of lobbying, and submitting testimony to Senate Energy Committee hearings on Jan. 17 and 31 and March 1.

It was in the political climate shaped by this mobilization that Federal regulators—while not yet touching *deregulation* as such—were pushed into threatening legal and regulatory actions, which forced the pirate "power marketers" to sheathe their Shylock's knives and let prices fall back. Once they were falling, the deepening economic collapse accelerated the price drops by knocking the bottom out of energy consumption. With the growing recognition that the U.S. economy is in a depression, and efforts from the White House to force consumption higher, the decision clearly was made to let Enron fall. The efforts by Washington to contain the economic crash are threatened by the unbridled rapaciousness of Enron's operatives.

However, there will be no solution to the energy crisis, or the depression, until LaRouche's policies are implemented. California, and the nation, have already paid too steep a price by not listening to LaRouche, and tolerating the anti-human, anti-nation-state prescriptions of the Southern Strategy.