

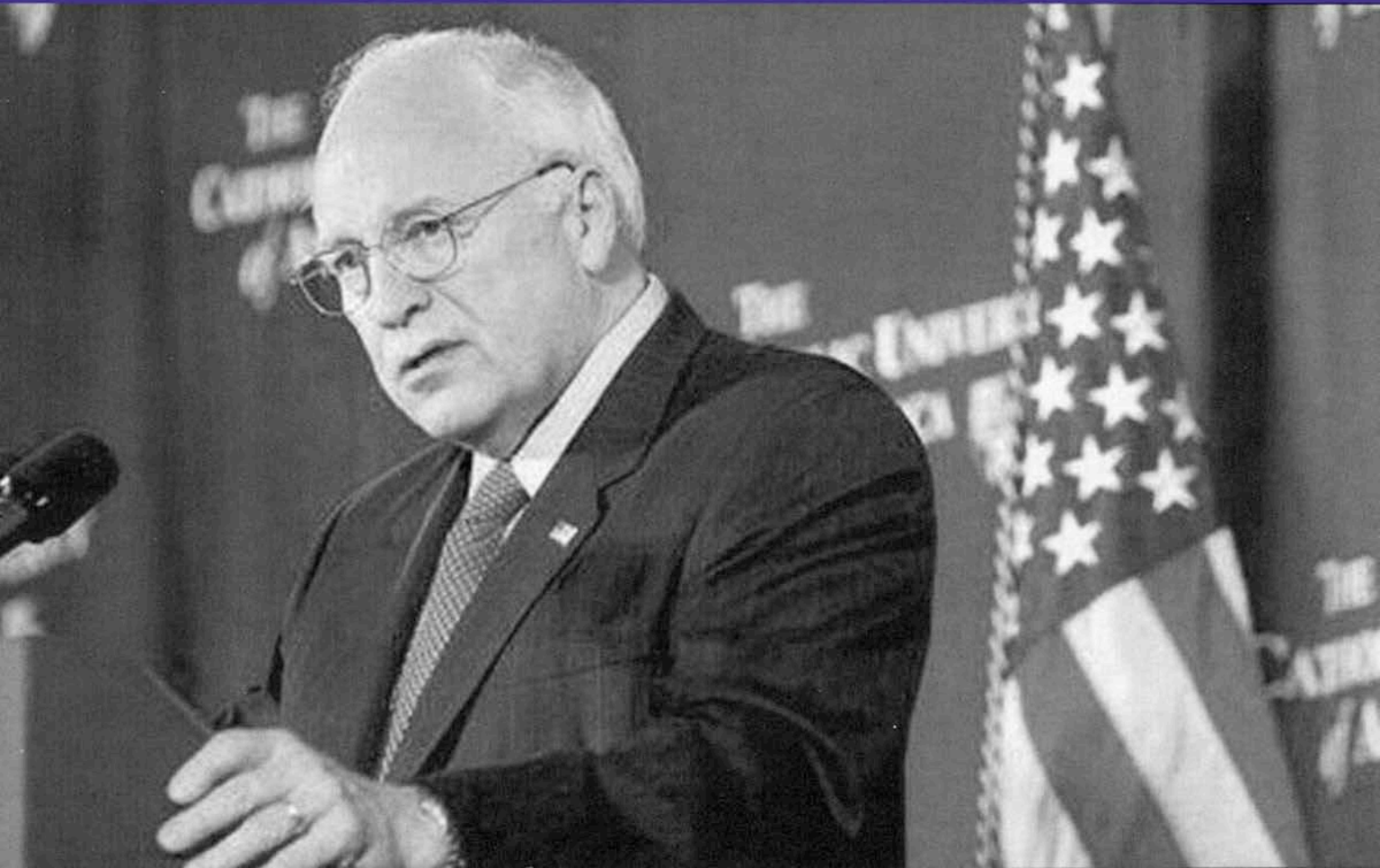
# EIR

Executive Intelligence Review

January 21, 2005 Vol. 32 No. 3 [www.larouche.com](http://www.larouche.com) \$10.00

Shultz's Hit Man Fischer To Head Bank of Israel  
Palestine Elections: 'Democracy Under Occupation'  
Plot Against FDR: A Model for Bush's Pinochet Plan

## LaRouche Combats Cheney-Bush Grab for Social Security



# FIDELIO

Journal of Poetry, Science, and Statecraft

*Publisher of LaRouche's major theoretical writings*

Fall 2004

## *Those Populist Fools Who Would Seek A Contract Even With God*

Lyndon H. LaRouche, Jr.

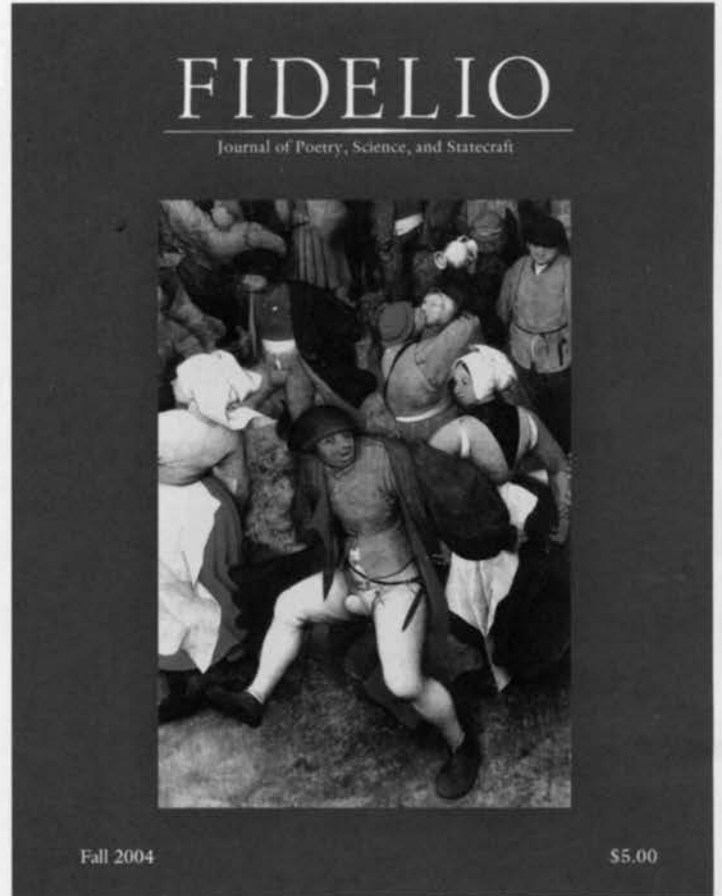
In the works of Erasmus, More, Rabelais, Cervantes, and Shakespeare, the word 'folly' has a profoundly ironical, ambiguous meaning. In their usage, it refers to a time when madness had overtaken a nation and its people, a time of foolishness, like that of the recent decades of our own U.S.A., which prompts the foolish popular opinion of that time to regard as fools their contemporary wise men and women, rather than their own misguided, foolish selves.

## *A Shakespeare Dialogue: Acting On the Stage of History*

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*EIR (ISSN 0273-6314) is published weekly (50 issues),  
by EIR News Service Inc., 217 4th Street, S.E.,  
Washington, DC 20003. (202) 543-8002. (703) 777-  
9451, or toll-free, 888-EIR-3258.  
World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirms@larouchepub.com](mailto:eirms@larouchepub.com)*

*European Headquarters:* Executive Intelligence Review  
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0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.

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

## From the Associate Editor

**I**n *EIR* of Dec. 3, 2004, we announced that Lyndon LaRouche was launching a “new international flanking attack” against the gangsters in three-piece suits whom author John Perkins has labelled the “economic hit men.” These are the “expert” economists who are deployed around the world to grab loot for the Wall Street and London financier oligarchy; when their methods of not-so-subtle persuasion fail, their masters send in the “jackals”—the assassins—or, in the last resort, the boots-on-the-ground military.

This week’s issue continues LaRouche’s campaign, on a number of fronts.

First and foremost is the drive to stop the Bush-Cheney privatization (theft) of Social Security. As our *Feature* reports, this campaign by LaRouche gained new impetus with the historic Jan. 6 action by 32 Congressmen, to officially challenge the result of the Presidential election, on the basis of the blatant GOP voter suppression in Ohio. Some of those same Congressmen, emboldened by their move, are now stepping forward in the fight against Social Security privatization. Our package, based in part on the LaRouche PAC’s widely circulating pamphlet, provides dossiers of some of the “hit men” behind privatization, and case studies of Chile and other nations that have been shafted by “pension reform.”

See *National* for the other side to this fight in Washington: the growing demand to block the nomination of fascist “facilitator” Alberto Gonzales as Attorney General.

Then, we report on the “in your face” appointment of IMF hit man Stanley Fischer, a protégé of George Shultz, to head the Bank of Israel—a move explicitly intended to bolster Finance Minister Netanyahu’s murderous austerity policies, which have already driven 25% of Israelis to live below the poverty line.

In our *History* feature, Will Wertz gives the background on the “economic hit men” who put Hitler into power on behalf of the Anglo-Dutch Liberal system. Some of them were protected after the war, and lived to combat the FDR legacy. Claudio Celani complements this with a review of a new book published in Italy, on the former Fascists and Nazis who were laundered into the post-war political system, and emerged as controllers of the “jackals” known as the Red Brigades.

*Susan Welsh*

# EIR Contents

## Cover This Week

*Vice President Dick Cheney on the stump for Social Security privatization, at the Catholic University of America in Washington, D.C., Jan. 13, 2005.*



- 4 Wall St. Insists Bush Take Social Security; LaRouche Says No**  
The fight to stop the Bush Administration from looting Social Security by privatizing it has been turned—by Bush himself—into the front line of battle for Congressional opponents, labor and seniors’ organizations, and all currents of the Democratic Party; and it has split the Republicans. At the center of the battle is Lyndon LaRouche.
- 7 Bush’s Social Security Privatization: A Foot in the Door for Fascism**  
From the LaRouche PAC’s pamphlet, released in December 2004.
- 9 Chile: A Synarchist Showcase**
- 12 Truth Behind the Myth**
- 13 Portrait of an ‘Economic Hit Man’**  
A profile of John Train.
- 15 The Man With the ‘Chile Model’ of Fascism**  
A profile of George Shultz.
- 18 Looting of Nations by Pension Privatization**

## History

### **20 The Plot Against FDR: A Model for Bush’s Pinochet Plan Today**

The Anglo-American-German cartels established in the 1920s were the most immediate precedent for the current danger presented by a private financier oligarchy bent on world domination under the guise of “globalization.” Before, during, and after World War II, they were out to sabotage President Franklin D. Roosevelt’s policy orientation, and his legacy. By William F. Wertz, Jr.

### **32 What Is Synarchism?**

**Photo and graphic credits:** Cover, White House photo. Pages 5, 59, White House photo. Pages 8, 16, 17, 51, EIRNS/Stuart Lewis. Page 19, www.josepinera.com. Page 23, Truman Library. Page 24, German Historical Museum, Berlin. Page 28, clipart.com. Page 37, DHM/Stefan Moses. Page 39, www.iie.com. Page 62, Department of Defense. Page 65, Governor Schwarzenegger’s website.

**Correction:** The caption to the cover photo of our issue of Jan. 7 erred in describing it as “the International Thermonuclear Experimental Reactor (ITER) fusion research device, under construction in Naka, Japan.” Japan is doing research involving ITER components at its Naka facility, but no site for the ITER itself has been agreed upon by the participating nations.



## Economics

### 38 Shultz's Hit Man Fischer To Head Bank of Israel

Stanley Fischer, the former Deputy Managing Director of the International Monetary Fund, oversaw the financial meltdowns in Asia, Russia, and Argentina. His new appointment signals that the IMF considers a financial blowout of the Israeli economy possible.

### 41 Bush/USDA Mad Cow Malfeasance Exposed; Food Cartels Threaten Public Health

**Documentation:** A letter from Sen. Kent Conrad and Rep. Henry Waxman to the incoming Secretary of Agriculture, calling for his review of the Agriculture Department's decision to lift the ban on live cattle imports from Canada.

### 44 Energy Cooperation: Myanmar, Bangladesh, India Clinch Deals

### 46 State Budgets in Crisis, Need FDR Approach

## International

### 48 Elections in Palestine: 'Democracy Under Occupation'

The Palestinian elections point to the fact that for the Bush Administration, the call for "democracy in the Middle East" is a cynical manipulation. Dianna Buttu, a legal advisor to the PLO, gave a briefing in Washington on what really happened in the elections.

### 50 South African President Mbeki, in Sudan, Scores British Colonialism

### 52 Rumsfeld Prepares 'One, Two, Many Pinochets' in the Americas

A report on battle that erupted at the Defense Ministerial of the Americas, held in Quito, Ecuador in November.

## Book Reviews

### 54 The Sphinx and the Gladiators: How Neo-Fascists Steered the Red Brigades

*La Sfinge delle Brigate Rosse (The Sphinx of the Red Brigades)*, by Sergio Flamigni.

## National

### 58 Gonzales Must Be Questioned About Rumsfeld Death Squads

The legal opinions which Attorney General nominee Alberto Gonzales approved and submitted to the President, laid the basis for the use of the "hunter-killer" teams championed by Secretary Rumsfeld.

**Documentation:** The testimony to the Senate Judiciary Committee of Adm. John D. Hutson (ret.), opposing the nomination of Gonzales.

### 65 Schwarzenegger Submits Killer California Budget

### 70 GOP Tightens Its Grip on the Congress

### 71 National News

## Departments

### 47 Report From Germany

Ghost of Schacht Haunts Germany.

### 66 From the Congress

From "Preserving Democracy: What Went Wrong in Ohio," by the House Judiciary Committee Democratic Staff; and "In Response to Serious Concerns Over Presidential Vote in Ohio, Lautenberg Announces Measure To Prevent Partisan Activity by Election Officials," a press release from Sen. Frank Lautenberg.

### 69 Eye on Washington

A Sublime Moment.

### 72 Editorial

LaRouche: World Needs a New Treaty of Westphalia.

## Wall St. Insists Bush Take Social Security; LaRouche Says No

by Paul Gallagher

A shift has taken place in the U.S. political arena since Election Day. The dramatic breakthrough of Jan. 6 achieved by Democrats, in challenging and forcing Congressional debate over suppression of Democratic votes in President Bush's re-election, blew a hole in Bush's "mandate" in the eyes of Americans, and greatly strengthened the coherence and spirit of his Congressional opposition. Lyndon LaRouche's LPAC political action committee played a key role in the strategy which led to the Jan. 6 result.

Now, like Napoleon driving for Moscow, the President has charged into a major strategic mistake by staking his self-claimed "political capital" on a manic campaign to "privatize" and do away with the institution of Social Security. Privatizing Social Security, including cutting its benefits, appears virtually to have become Bush's sole priority. Against the backdrop of an Iraq war disaster slowly but continuously repelling the American public from Bush, the Social Security privatization battle is the knife-edge of a fight which could make him a lame-duck President in short order. The fight to stop him from looting Social Security with such a scheme, has been turned—by Bush himself—into the front line of battle for Congressional opponents, labor and seniors' organizations, and all currents of the Democratic Party; and it has split the Republicans.

Here again, at the center of this battle, is LaRouche, whose 24-page pamphlet and other ammunition against the Bush swindle is all over Capitol Hill and the rest of the capital. Its mass circulation in the country at large began at New Year's.

LaRouche advised the Congressional Democrats that, although Bush was making a big mistake in his all-out attempt to claim Social Security is bankrupt and to pull it down, the President would nonetheless not let up, but wage an all-out "election campaign" to force it through. The cause: Key banking and financial figures are ordering Bush to throw all political reason to the winds. Epitomized by senior Republican "fixer" and financial policy manipulator George Shultz, these bankers have demanded Bush do whatever it takes to crack Social Security. Its \$500 billion a year in employees' payroll contributions is the largest cash-flow in sight to be



*George W. Bush's Jan. 11 staged Social Security "conversation" with carefully selected "ordinary citizens," was a simple propaganda attack on the Social Security system, whose \$500 billion a year in employee contributions, Wall Street badly wants. Bush five times repeated that Social Security would soon be "bankrupt," when in fact it is rolling in surpluses.*

turned over to Wall Street as "private accounts," in an attempt to keep the dollar bubble alive for a while longer. So-called privatization, as Sen. Edward Kennedy (D-Mass.) agreed in a major speech on Jan. 12 at the National Press Club, is nothing but "a giant bonanza for Wall Street."

This strategic reality was underlined on Jan. 11 when the *Wall Street Journal*, noting widespread Republican distress as details of Bush's intended cuts to Social Security benefits began to leak out, ran an exclusive interview in which the President promised to "carry the ball" at the head of a big Karl Rove-orchestrated campaign to get the public to think that Social Security is in a crisis. The White House scheduled an intense daily schedule of events for the fortnight of Jan. 10-24, involving constant showmanship by Bush, tours by Treasury Secretary John Snow and other Cabinet members; even wheeling out White House heavy Dick Cheney on Jan. 13 for a Cheney-esque 15-minute, no-questions-allowed, virtually no-audience-allowed spot at Catholic University in Washington.

George Bush himself held a carefully-staged "conversation" with a half-dozen Americans carefully selected by pro-privatization think-tanks, on Jan 10 at the Commerce Department, for media-campaign purposes. Most of the small audience was bused in by right-wing groups like former House Speaker Dick Arney's "FreedomWorks." There, the President repeated five times that the Social Security system—which is rolling in multi-trillion-dollar surpluses—would be "flat bust bankrupt" when young and middle-aged workers retire. Bush, like Cheney and his surrogates, did not allow a single specific or outline of his alleged "privatization plan"

to be discussed on the stage.

LaRouche, in his Jan. 5 Internet broadcast meeting, had made crystal clear to Washington that "there is no threat to Social Security, except Bush's attempt to privatize it." Those, like the Democratic left's "experts" who claimed that this White House drive was purely an "ideological" campaign by conservative enemies of President Franklin Roosevelt's legacy, were blocking out the clear reality of the oncoming dollar financial crash. It is making Wall Street very hungry for the new loot which can be diverted out of Social Security benefits and tax payments into stock and bond investments.

On Jan. 10-12, Snow was on a three-day round of meetings with Wall Street banks about diverting Social Security taxes into their stock and bond funds. While he was there, Merrill Lynch and Co. published a

research report, outlining its expectation that cash diverted from Social Security could provide 25% of the annual flows into those stock and bond funds for the foreseeable future. This would greatly increase flows into equities and bonds, "thereby increasing prices and brokerage firms' trading profits," according to the report. The estimate matched that of a report cited by candidate John Kerry during the Presidential campaign, in which University of Chicago Professor Austen Goolsbee also forecast that Wall Street investment banks could sweep in an average \$15 billion a year in fees alone on these accounts.

Unstated, was the underlying reality that the big market loot flows that Wall Street wants from Social Security are desperately needed, because foreign capital inflows to the United States can no longer keep up with its huge combined trade and budget deficits, and the dollar is threatening to go into free-fall.

And as LaRouche insists, this looting scheme is just a part—although the central and the largest part—of a drive for fascist economics internationally, requiring the looting of wages, pensions, healthcare expenses throughout Europe, South America, and Asia.

That means that if Bush is beaten on Social Security privatization, he becomes a lame duck and a broader economic policy shift, away from fascist looting and toward recovery, becomes possible.

### **No Compromise Possible**

During the first half of January in the Washington, D.C. area alone, organizers of the LaRouche Youth Movement

and the LaRouche PAC put into circulation 50,000 copies of LPAC's hard-hitting pamphlet, *Bush's Social Security Privatization: Foot in the Door to Fascism*. The pamphlet is everywhere in the debates over Bush's "Social Security war" taking place daily around the capital and in Congressional offices. Another 200,000 copies were out around the nation by Jan. 15; but LaRouche emphasized that this weapon must circulate not in hundreds of thousands, but in millions, within another month's time. His advice to Democrats in Congress has been to concentrate on exposing and defeating Bush's attack on Social Security, and do not "offer reasonable alternatives" to this onrushing rogue elephant until his charge is stopped. That course has prevailed so far. During the week of Jan. 10, numerous Democrats came out firmly and publicly against privatization, and at least one Republican—Rep. Robert Simmons of Connecticut—did so as well. The American Association of Retired Persons (AARP) began a multi-million-dollar ad campaign against Bush's privatization on Jan. 4.

LaRouche's reasons are clear. Bush has a "Wall Street mandate" and will not give up this drive even if it shreds his imagined public mandate—it is as if the Presidential

election campaign has started again, with the looting of Social Security and other living standards its central battleground. Thus, the President can't be "backed off" this front; he will have to be thoroughly defeated. Only a mass mobilization of citizenry can achieve that, when Congressional majorities are put under blunt orders to go along despite their own views. In addition, Republican sources stress that several hundred million dollars will be spent, under Bush campaign guru Karl Rove's personal direction, in a national "fear of bankruptcy" campaign which will get down to the district-by-district level as of February. This is being funded by Wall Street front-groups and the "527" committees, led by Rove's Progress for America committee, that spent hundreds of millions during the Presidential campaign (see *EIR*, Jan. 14 for details); this time, the enemy target will not be John Kerry, but Social Security. Bush will count on this mass brainwashing campaign before releasing any "specifics" of the scheme to steal Social Security. It can't be implemented "democratically."

To defeat him, and thus his Presidency, a mobilization on the scale of the last months of the election campaign itself, will be required.

## Debunking Bush By Example

President George W. Bush has stopped citing "the great example of Chile" as his model for Social Security privatization, as the LaRouche PAC's pamphlet has exposed the Chilean Pinochet dictatorship's looting project and made it a weapon for the *opponents* of Bush's scheme. Another disastrous early privatization example—Great Britain under Margaret Thatcher—broke into the U.S. debate in mid-January. Many media reported a scathing account of the British privatization scheme by a London *Financial Times* senior reporter, which is appearing in *American Prospect* magazine in February. This history of the switch to private accounts almost 20 years ago under Thatcher, is titled, "A Bloody Mess," and reports, "It was the biggest financial scandal in the United Kingdom to date." The only privatization with a longer and more conclusive history, is that of fascist Chile itself.

The study delineates the disaster and scandal which resulted from Prime Minister Thatcher's 1984-88 series of laws which forced privatization of a part of Britain's public old-age pension system. The old system, though set up after World War II, closely resembled America's Social Security in its insurance benefits and its means of funding. Thatcher's privatized system did indeed prop up the Brit-

ish stock and bond markets after 1988. But it was such a loss for most of the British workers who flocked into it like lemmings, that the current Blair government of Britain has had to order those workers to be paid £12 (\$20 billion) in compensation, for being taken in by a swindle!

Thatcher's first government cut the old-age pension benefits—no surprise, by the same method as Bush's scheme, switching from wage-indexing of benefits to inflation-indexing. Thatcher's second government bribed (with expensive tax rebates from the public treasury) and hyped (with a huge advertising campaign) 4.3 million Britons by 1991 to shift from Social Security into private accounts, like 401(k)s. By the late 1990s, it became clear that most of those who switched, were doing much worse toward their retirement, than if they had stayed in the public system even with its benefit cuts. "On average, fees and charges [reduced] pension lump sums by up to 30% on retirement," the article reports.

The succession of stock collapses *since* the later 1990s has made their situation even worse: "According to the Department for Work and Pensions, in 2004 alone, 500,000 people abandoned private pensions and moved back into the state system. Government actuaries expect another 250,000 to contract back in this year."

In 2004, the Association of British Insurers urged all its member firms, to avoid further liability, to warn those still "contracted out" that they "might have made a bad choice" for their retirement.—*Paul Gallagher*

# Bush's Social Security Privatization: A Foot in the Door for Fascism

*The following is the introduction to the LaRouche PAC's pamphlet, released in December 2004. We also include excerpts from the pamphlet's discussion of the Chile "model," and profiles of two of the "economic hit men" behind the privatization swindle, John Train and George Shultz.*

On Dec. 16, 2004, Lyndon LaRouche, former candidate for the 2004 Democratic Party Presidential nomination, and the recent founder of the LaRouche Political Action Committee, gave an interview to WVKO radio in Columbus, Ohio, in which he warned the American people about the imminent danger of a further fascist coup d'état, if the Bush Administration is allowed to get away with its plans to loot the entire Social Security Trust Fund, under the guise of the Pinochet Chilean Model of "privatization." LaRouche warned:

"If you were going to do this—or try to do it—that is, to bring in the Pinochet Plan [of Social Security privatization], which is, of course now failing in Chile after the 20-odd years it's been in effect, it would fail here. But, the point was, if you wanted to do this and some other things, you had to have a Bush re-election. Without a Bush re-election, there wouldn't be a chance, at all, of pushing this thing through.

"Now, the entire financial system is collapsing. We're on the verge of a collapse, any time now, for a major financial blowout of the U.S. and the international markets. At this point, they're counting on looting Social Security, or having a proof that they *can* loot Social Security, as a way of putting more capital into a depressed U.S. financial market, to try to bail out the gambling side of the financial-market system.

"Now, George Shultz and company, of course, who was one of the original authors of the Pinochet operation down there, is also behind the Bush campaign. And he typifies these big interests, which are behind both.

"They had to commit a fraud to get elected. . . .

"The issue here, the typical issue, right now, up front—and George Bush has made it very clear it's up front—the Chilean model of privatization of Social Security *is* the Bush model. I don't know what *he* understands, but I do know what George Shultz understands. . . .

"This was done in Chile in 1981. That is, Pinochet came in, in 1973; he was part of Operation Condor, this mass-murder operation through the Southern Cone of South America. This was done by the 'Chicago Boys'; that is, the banking

side was the Chicago Boys, of whom George Shultz was a key man. And George Shultz is the man who was the architect of the George W. Bush Administration. He's the guy who brought Condoleezza Rice into the picture. He's the one that was behind Cheney, and Cheney organized the composition of the initial current Bush Administration. This is the combination. It's the same bunch of guys.

"There's also another story behind this, you know: Back in the 1970s—and it's now been exposed since 1990, but it's coming out big now. There'll be books on this published in February and so forth. But, leftovers of the old Nazi system were brought into the European and U.S. security system. Elements of this, of the old Nazi apparatus, were run down into South America, into Mexico, into Argentina, into Chile, elsewhere. They were run down there on what was called the 'ratline' operation. They have been used, like this Della Chiaie case and so forth, they have been used as mass murderers—that is, as special hitmen—used throughout the region: They're the ones that killed the thousands of people to consolidate, in Chile in particular, to consolidate the regime down there.

"We now have an explosion, on the issue of this hitman problem, of the Nazi hitmen, and their successors today.

"This swindle on stealing Social Security funds, which is worldwide: It's not only in Chile; it's in Peru, which is under attack; Mexico; the United States; in Germany, the welfare system is under attack under 'Hartz IV'; under the current Finance Minister of France, Sarkozy, it's also under attack. So, we have a worldwide onslaught by bankrupt banking-system people, to try to grab the very large social welfare funds of governments, now. And the United States is one of the parts. And the Bush candidacy and the election, very much involved—as Bush has made clear—that his immediate, number-one target, after winning an election, was to steal Social Security. . . .

"[George Bush says he supports the dollar, but] he can't support the dollar—he *can not* support the dollar. Not under the present circumstances. Why? Because it takes \$2 billion, coming in every day, from outside the United States, to keep the U.S. dollar from collapsing—and *it is* collapsing!

"Now, that money is beginning to dry up.

"What they need the Social Security funds for now, is to try to put a stimulus into the financial market, through





A LaRouche Youth Movement rally in Washington on Jan. 6, 2005. The LYM is distributing tens of thousands of copies of the “Foot in the Door for Fascism” pamphlet in the nation’s capital.

multiple—just to build up the market, the financial market: Because they know that very soon, there is going to be a real avalanche, that’s going to hit the U.S. financial market. That’s inevitable. They want to steal Social Security—they’re going to steal *all of it*; not some of it. What they’re talking about is the shoe in the front door, but they intend to put the whole foot in.

“Once they get the first step, then you will see, as they did with the Iraq war, get the first step, get in there, and the whole thing comes.

“We are now not fighting just over an issue of welfare. We are fighting over a welfare issue. Just as the welfare issue was the issue, which was key in Europe when Mussolini and Hitler came to power: We’re faced with a threat of dictatorship. And if we can not mobilize political resources, especially in the United States, to *stop this thing now*, we will have given up our Constitution and our rights. And when these guys come after us, they’re going to come all the way—because they are faced with a broken-down system, and they’re going to go for a dictatorship. . . .

“This *nutty* President is out to *steal* the Social Security of the American people. Not just a few poor people. We’re talking about the majority of the American people who will be looted by this thing—and many *will be killed* by it. When you combine this with the effect on the health-care situation, people will be *murdered*, by this kind of policy.

“If we combine these issues, which involve the *intent* of the American people to vote for a government—do they want a government that kills them?

“ ‘Well, I voted Republican!’

“ ‘Did you vote for them to kill you?’

“ ‘No, I didn’t do that!’

“ ‘Well! Let’s take a look at this thing, then. Maybe we can do something about it.’

“You have to get at it this way. You have to get it with brass knuckles, on issues. You have to get out and fight—not namby-pamby, not maybe-so, not this doubletalk. And get out there and mobilize the people.

“The problem is, we have not been giving the people leadership. Now, as you know, small people who don’t have much power, are not going get out there and fight, generally. They’re going to look for leadership. And they do not trust the people who are their leaders.

“We have to—we who are willing to lead—we have to prove to them, that they have leaders that they can trust.”

\* \* \*

LaRouche’s call to action—to *your* action, now that you have this pamphlet in your hands—comes not a moment too soon.

Right now, the Bush Administration is on a manic drive to sell its plan for “Social Security privatization,” a plan modelled on the one implemented by the Chilean dictator Gen. Augusto Pinochet back in 1981. On the face of it, the plan is Grand Theft of the sort that makes Enron look like petty larceny. Bush is proposing to steal trillions of dollars in hard-earned retirement funds to bail out a hopelessly bankrupt monetary system. He’s prepared to throw the old and sick on the scrapheap. And the very same propaganda machine that brought you the Iraq war disaster is already gearing up a new Big Lie campaign, to convince you that it is in your interest to turn over your hard-earned retirement funds to the biggest gang of Wall Street swindlers and fools ever to walk the planet.

What Bush is planning to ram through is nothing less than a full-scale fascist austerity regime, the Hitlerian kind that the Synarchist bankers were unable to put in place in the U.S. in 1933, because of Franklin Roosevelt, but *were* able to install in Chile in 1973.

That plan can be stopped again—as FDR did 70 years ago. Under LaRouche’s leadership, Americans can be mobilized to turn Bush’s manic drive to privatize Social Security, into his Waterloo. Bush *can* be stopped, and this pamphlet is the critical political ammunition to do so.

The fact is that the Chile privatization of social security was never the bankers’ main objective. The real prize was always the United States. The very same cast of characters that orchestrated the Chile project—a fascist coup to loot an economy into bankruptcy, and then to resurrect the corpse and loot it again by stealing the social security fund—this same crew is pushing the U.S. project today.

The Chilean Labor Minister who personally sponsored

the pension fund heist was José Piñera. Today Piñera is a close advisor to Bush, and the leading spokesman for the global Social Security privatization project, and has been for decades. He functions out of the Washington-based Cato Institute, and travels the world over promoting the Chilean model of theft.

But even more significant is the role of George Shultz. Shultz has been there every step of the way for the Chile project. From the Nixon Administration he helped orchestrate the Pinochet coup. And he justified it on the basis of the University of Chicago economic policies, of which he is a leading light.

In his autobiography, he put it this way: “General Augusto Pinochet came to power, bringing dictatorship and repression to the political scene. But he did restore prosperity to the economy. Chileans trained in free-market economics at the University of Chicago applied the ideas of classical economics, opening the Chilean economy to international competition, eliminating subsidies, relying on market signals to direct investment, seeking fiscal balance and a stable monetary policy. These policies worked.”

Then, from his role as an advisor to the incoming Reagan Administration, in 1981, Shultz visited Piñera and asked the former Chilean Labor Minister to provide him with a one-page memo on the pension privatization plan, for Shultz to try to sell the scam to Reagan. *Shultz’s Chicago Boys in Chile had barely implemented social security privatization there, and Shultz was already trying to ram it down the throat of the U.S.—23 years ago!*

Now today, Shultz is an *eminence grise* of the George W. Bush Administration, and he wants to finally get his policies through.

The lesson should be clear. From 1971 on, the bankers’ Leporellos in the United States and elsewhere have known full well that they must either junk their financial system, or move to “save” it with global fascism. For the past 30 years they have sought to wipe out the opposition to fascism, including most prominently Lyndon LaRouche, and to create the conditions under which a broken American population would welcome its imposition, first in the rest of the world, and finally, at home. After Sept. 11, 2001, they thought they had their coup, but they have been unable to consolidate it, again in large part due to the leadership of the resistance exercised by LaRouche.

Now, with the virtual coup carried out through voter suppression which led to George W. Bush’s being declared the winner of the Nov. 2 Presidential elections, the Synarchist bankers think they have the opportunity they’ve been waiting for.

They are wrong. Bush’s manic drive to push through Social Security privatization may be the biggest mistake of his political life—and lead to his downfall. As Lyndon LaRouche put it: “This may be the end of George Bush. This may turn him into a cooked, lame duck, because of this desperation to plunge ahead with this swindle on Social Security.”

# Chile: A Synarchist Showcase

by Dennis Small and Cynthia Rush

If President George W. Bush and his controllers have their way, the United States will soon be following in Chile’s footsteps—straight into hell. Bush himself has been explicit. In Santiago, Chile for a Nov. 19-21, 2004 summit of APEC, he stated that “Chile provides a great example for Social Security reform.”

They may not have told the President yet, but it is more than Social Security privatization that his synarchist controllers seek to replicate from the Chilean model. Chile is their test-tube case for:

1. The untrammelled looting of the country’s physical economy and labor force, under three decades of the lunatic doctrine of free trade, as concocted by the notorious “Chicago Boys” disciples of George Shultz and Milton Friedman.
2. The bankruptcy meltdown of the national banking system under a mushroom cloud of financial speculation, and its resurrection based principally on a gigantic captive income stream, coming from the privatization of Social Security.
3. The use of cold, political terror and police-state repression against all potential opposition to these measures, including “the formation of special teams from member countries who are to travel anywhere in the world to non-member countries to carry out sanctions—up to assassination—against terrorists or supporters of terrorist organizations.”

These are the words used in a declassified 1976 FBI memo, to describe the functioning of the assassination squads that had been set up by Chile’s Pinochet dictatorship, along with five other South American governments, under the code name *Operation Condor*. If reading this quote made you nervous, because it sounds just like one of Vice President Dick Cheney’s latest press conferences or a recent Donald Rumsfeld rant, then you are starting to get our point:

*These are the same synarchist forces, intent on carrying out the same fascist policies, in order to defend the same bankrupt economic system. Chile isn’t “over there”; it’s here.*

## Social Security: ‘But It Worked In Chile. . .’

No, Social Security privatization did *not* work in Chile—except for the foreign bankers who stole the money.

Social Security was privatized in Chile in 1981, as per the specifications of Harvard-trained economist and Mont Pelerinite ideologue José Piñera, who had been Labor Minister for Pinochet from 1978-80. After 23 years in operation, the Chilean system is such a flop that almost all political forces in the country—labor, business, government, thinktanks—now

agree that it has to be jettisoned, and some sort of an alternative devised. In fact, in early 2005 the Chilean Congress will be reviewing a *government* proposal on how to revamp the bankrupt system—at exactly the point that the Bush Administration is trying to sell the same lemon to the U.S. Congress!

Here's the real story of Chile's social security privatization.

In 1973, at the time of the Pinochet coup, Chile had a U.S.-style "pay-as-you-go" social security system, to which both the worker and his employer contributed, and which covered about 78% of the labor force.

Through a splashy multimillion-dollar propaganda campaign, Piñera and Gen. Pinochet's "Chicago Boys" told Chilean workers the same thing that Bush is telling Americans today. A large number of funds (run by banks, insurance companies, and other financial vultures) would offer workers an array of "choices" on how and where to invest their money, without government meddling. They promised workers a high rate of return and a secure future, if they would switch from the government to the private funds.

The only thing that "enrollees" would have to do, is allow a mandatory 12.5% of their monthly paycheck to be deducted and deposited into the Pension Fund Administrator (or AFP, as they are known in Chile) of their choice, who would then "wisely" invest the money. Unlike the old system, employers would make no contribution at all.

One million Chilean workers did switch to the new system in 1981. They were offered incentives and rewards, including an initial wage increase. "Most of the Chilean workforce was, in fact, forced to join the new system, including all those workers hired since 1981, who were given no choice at all," according to the Chilean economist and U.N. researcher Manuel Riesco, a member of the board of CENDA (Center of National Studies of Alternative Development).

Where are those workers now? Again Riesco:

"If two co-workers reach retirement age in Chile today, both with the same salary and the same number of years paying into social security, one of whom remained in the old pay-as-you-go system and the other who changed to the AFP system back in 1981, the latter will receive less than one half of the pension of the former."

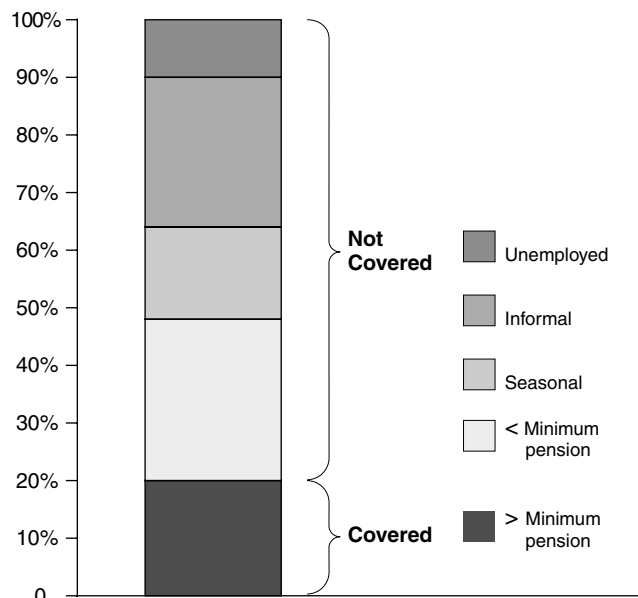
How is that possible?

Consider **Figure 1**, which gives the breakdown of social security coverage for the Chilean labor force of 6.1 million workers today (the total population is about 16 million). For starters, there is about 10% official unemployment; and another 26% (or 1.6 million) are (mis)employed in the so-called "informal economy"—i.e., that vast portion of the economy of every Ibero-American nation that ranges from the semi-legal to the outright illegal, off-the-books activities. Street hawkers and beggars are the classic cases of such informal "employment." None of them pays into the system; none of them gets anything out. In terms of physical-economic reality, these are also de facto unemployed.

FIGURE 4

## Chile: Social Security Coverage

(% of the labor force)



Source: CENDA (Chile); EIR interviews.

At least another million workers (or 16% of the labor force) are under-employed, with seasonal jobs which may last anywhere from a few months to under a year. Half of all such jobs last less than four months. This kind of job insecurity and labor recycling is so widespread in Chile, that many analysts put the number at much more than 1 million. According to the Chilean research institute Terram, 93% of recent employees won't last more than a year in their new jobs. Such workers almost never qualify for social security—because under Piñera's fascist law a worker has to pay in for 20 years, in order to receive benefits upon retirement.

That's already 52% of the labor force who get *nothing* from the privatized social security system. The remaining 48% do pay into the system with some regularity, but 28% of the labor force, or 1.7 million workers, will not qualify for even the minimum pension of \$110 a month, which is the state-guaranteed minimum. In other words, their "investment" in their AFP yields less than \$110 per month—and the Chilean government has to pony up the difference to that amount, *out of the federal budget*. But most people in this situation don't even apply for this "assistance pension" offered by the state, which today comes to about \$50 a month and which, in any event, is subject to a quota ceiling of 300,000 such grants—and there is a long waiting list. To even qualify for such aid, a worker has to prove that he is "indigent"—just like the fascist Hartz IV reforms in Ger-

many. Their only other recourse is to withdraw the meager funds accumulated in their individual pension accounts, once they retire—assuming it hasn't been lost to derivatives speculation by their AFP.

When all is said and done, only 1.2 million Chilean workers—a mere 20% of the country's labor force—qualify for more than the minimum pension of \$110 per month.

### Enron Had Nothing on Chile's AFPs

The truth is that Chile's private pension system is a gigantic Enron-style swindle. The financial sharks who set it up never intended it to be anything other than a mechanism to loot the workforce and the physical economy, while they and their allied financial predators reaped huge profits.

For starters, the AFPs charge gigantic commissions for their services. The official Superintendent of Pension Fund Administrators (SAFP) estimated that, as of March 2002, some 25-32% of each mandatory deduction went to payment of AFP "commissions." A May 2002 report by the United Nations Development Plan (UNDP), written in conjunction with Chilean experts, found that this adds up to about \$500 million in commissions annually. Between 1981 and December 2000, commissions totalled \$6.2 billion. This compares handsomely with the \$35.5 billion in Assets Under Management (AUM) by the AFPs, as of the end of 2001: it's close to 20% of the total

According to the same report, the owners of the AFPs had an average profit rate of 33.8% in 2001, and 50.1% in 2002 (a year of economic recession in Chile). One of the largest funds attained a profit rate of 209.8% that year! From 1997 to 2004, the average annual profit rate was a cool 50%. Chilean law professor Juan Gumucio aptly remarked that AFP managers "make more money than drug traffickers selling white powder."

CENDA concludes that the country's privatized pension system is the "most protected industry in Chile's history, created by those who criticized our earlier protection of industry." Shultz's Chicago Boys aren't averse to protectionism—so long as they are the beneficiaries.

While the AFPs made out like bandits, not so their enrollees. Where did their money go? In 1981, the total Assets Under Management by the AFPs were about \$22 billion. A 1997 World Bank report documented that, although individuals' average rate of return on invested funds started out at 12.7% in 1982, it dropped progressively over the next decade. According to a study prepared by The Century Foundation, by 1994 more than half of the AFPs were incurring losses. In 1995, about two-thirds of what was then a \$25-billion national pension fund was invested in highly speculative paper linked to the international derivatives bubble. In September 1995, the funds lost \$1.5 billion

TABLE 1

### Chile: Pension Fund Administrators

(as of November 2001)

Name	Control	AUM (billions \$)
Provida	BBVA (Spain); BofNY (US)	11.3
Habitat	Citibank (US)	8.0
Cuprum	Sun Life (Canada)	5.8
Santa Maria	Aetna (US)	4.5
Summa Bansander	Banco Santander (Spain)	3.9
Planvital	Chile	2.0
<b>Total</b>		<b>35.5</b>

Source: Salomon Smith Barney

of their total value, and had negative real returns of -2.5% for that year.

A study by a Chilean brokerage firm, CB Capitales, found that the real rate of return on the individual accounts in the AFPs has averaged only 5.1% since 1982.

Today, 33% of AFP funds, which total \$36 billion, are invested in Chilean government debt which, under current conditions of a dollar collapse and global financial upheaval, can hardly be called stable. Current regulations permit up to 12% of the funds to be invested overseas (and there is pressure to increase that allowed percentage), and this share is particularly likely to end up in shaky global derivatives markets. The rest goes into unstable mortgage securities, bank CDs, or corporate debt.

### The Synarchist Owners

Who are the real owners of the Chilean AFPs? After starting out with 18 funds in 1981, today there are only six left—and five of them are foreign controlled, accounting for 94% of the total Assets Under Management (see **Table 1**). In other words, Shultz's Chicago Boys handed over some \$36 billion

TABLE 2

### Foreign Control of Pension Funds and Banks

Country	Year Privatized	Pension AUM (billions \$)	% Foreign Controlled	Bank Assets (billions \$)	% Foreign Controlled
Argentina	1994	22.2	91%	65.3	37%
Chile	1981	35.5	94%	159.4	6%
Colombia	1994	4.2	78%	31.9	17%
Mexico	1997	22.3	77%	165.0	82%
Peru	1993	3.2	100%	17.1	63%
<b>Total</b>		<b>87.4</b>	<b>89%</b>	<b>438.7</b>	<b>62%</b>

Source: Salomon Smith Barney; EIR.

TABLE 3

### The Top 3 Controllers of Ibero-America's Pensions and Banks

Bank	% of Pension Assets	% of Bank Assets
BBVA (Spain)	25%	8%
Citibank (US)	12%	7%
Santander (Spain)	8%	9%

Sources: Salomon Smith Barney; EIR

belonging to Chilean workers, to his synarchist international banker pals—not a bad heist.

Take the case of Spain's BBVA, which controls almost a third of the Chilean pension system. Banco Bilbao Vizcaya Argentaria has historic links into dirty-money-laundering circles, and—along with Banco Santander—has been the driving force of Spain's imperial re-colonization of Ibero-America's entire financial system, on behalf of British interests. Banco Santander, which controls one of Chile's major AFPs, is also the single largest foreign bank in Ibero-America, controlling 9% of the continent's banking assets.

Banco Santander is a real piece of work. It is an old, oligarchic Spanish banking house, dating back to 1857, whose current owner, Emilio Botin, is considered the richest man in Spain. Under Botin, Santander established a "strategic alliance" in 1987 with none other than the Royal Bank of Scotland (RBS), which is at the center of the British royal family financial apparatus. One of the leading members of the board of RBS, the Earl of Airlie, was until 1984 president of Schroeders plc, the British merchant banking house which, with its German corresponding bank, helped finance Hitler's rise to power in the 1930s.

In 1999, Santander signed a second strategic alliance with another hard-core synarchist financial institution: Assicurazioni Generali, the infamous and ultra-powerful Venetian insurance house, which helped put Mussolini in power in Italy.

Where Chile led on privatizing social security, the rest of Ibero-America followed (see **Table 2**). The only major countries that have not yet followed suit, are Brazil and Venezuela. Of the five main privatized systems, Chile's is by far the largest. As Table 2 also indicates, the level of foreign control in those five countries is a dramatic 89%—which surpasses even the level of foreign banking control in those countries, averaging some 62%.

But it is the same foreign synarchist banks which control both the AFPs and the commercial banks: BBVA, Santander, and Citibank (see **Table 3**).

Is this what Bush means when he says the U.S. should follow the Chilean model of Social Security reform? Do you really want your pension in the hands of the same synarchist bankers who put Hitler and Mussolini in power? . . .

## Truth Behind the Myth

by Dennis Small

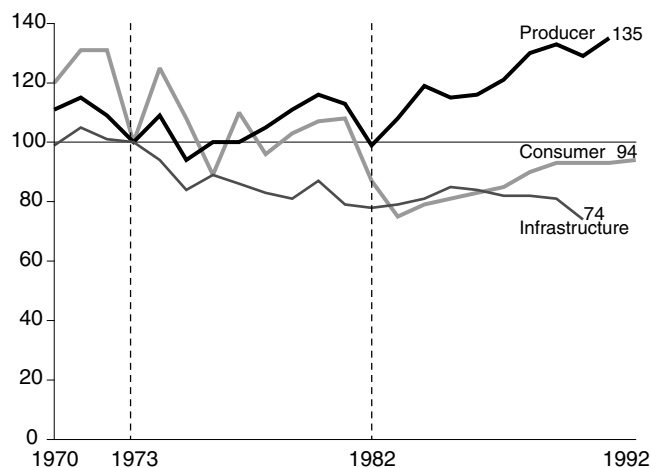
The myth that the Chilean economic model put in place by the bloody Pinochet coup of 1973, was a great success—a myth much-vaunted by the Bush Administration—is dispelled by the three graphics shown here. (Earlier versions of two of them were printed in *EIR*, Dec. 24, 2004, but contained production errors which are here corrected.)

In the three decades since British free-market policies were imposed on Chile, most aspects of the country's *physical economy*—which should not be confused with misleading monetary parameters such as GNP—fell in per-capita and per-household terms. Yet during this period, the speculative bubble of foreign debt grew many times over, while interest on that debt was religiously paid to the creditor banks and the International Monetary Fund.

These policies plunged the country into bankruptcy in late 1982, at which time a new package of drastic, forced "savings"—including the privatization of the national pension fund—was implemented in order to allow the bankers to keep looting the economy to pay the debt.

**Figure 1**, taken from a 1995 *EIR* study, looks at the production of market baskets of basic consumer, producer, and infrastructure goods, from 1970 to 1992. **Figure 2** compares these decaying physical economic parameters with the geo-

FIGURE 1  
**Chile: Physical Economic Production**  
(Index 1973 = 100)

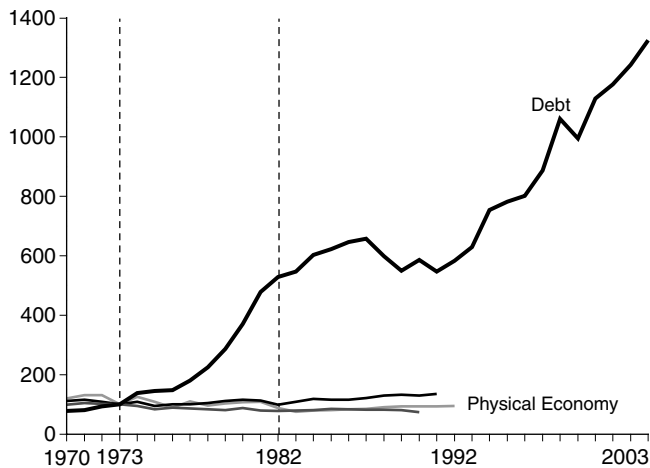


Source: ECLA; Central Bank of Chile; *EIR*.



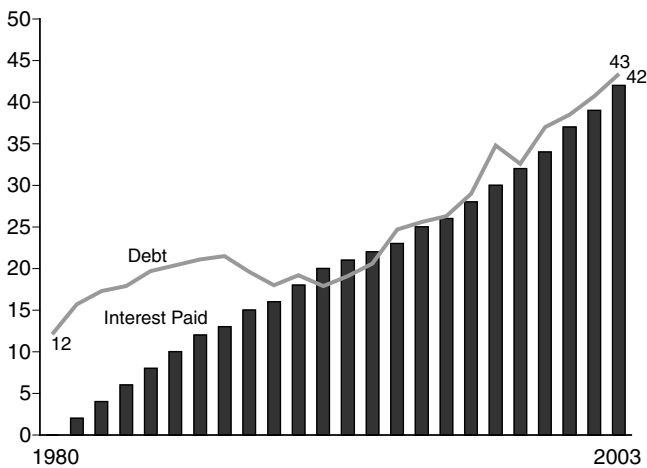
metric growth of Chile's cancerous foreign debt, from 1973 to the present. And **Figure 3** presents the "Bankers' Arithmetic" of Chile's foreign debt: In 1980 the total foreign debt was \$12 billion; over the next 23 years a total of \$42 billion was paid as cumulative interest payments on that debt; yet despite the fact that three and one-half times the amount initially owed was paid, by 2003 the foreign debt had risen from \$12 billion to \$43 billion.

**FIGURE 2**  
**Chile: Debt vs. Physical Economy**  
(Index 1973 = 100)



Source: ECLA; Central Bank of Chile; World Bank; EIR.

**FIGURE 3**  
**Chile: Bankers' Arithmetic**  
(Billions \$)



Source: World Bank.

## Profile: John Train

# Portrait of an 'Economic Hit Man'

by Jeffrey Steinberg

José Piñera, the former Minister of Labor and Mining in the fascist regime of Chilean dictator Gen. Augusto Pinochet, and the architect of that country's wholesale theft of workers' pensions, has friends in high places in the Anglo-American Establishment, despite his role in a regime vilified worldwide for war crimes.

On the website of his International Center of Pension Reform ([www.josepinera.com](http://www.josepinera.com)), Piñera described a Sept. 11, 2002 visit to New York City, hosted by his dear friend, Wall Street banker and high-level Anglo-American spook John Train.

"At the Pulitzer House: Today I joined New Yorkers at a moving commemoration of the terrible attack of 9/11, at Central Park, with Meryl Streep reciting Copland's 'Lincoln' and a great orchestra. Thanks to the generous hospitality of my friend John Train, writer, investor and renaissance man, I stayed for three weeks at the guest apartment of his house in 73rd Street and Fifth Avenue. Not only a beautiful house, not only near the wonderful Central Park, but also sound-proof, a blessing especially in New York. . . . Many interesting meetings and conferences, the main one being one to the Fellows of the Foreign Policy Association. The Manhattan Institute graciously gave me an office and full support."

Fascist Piñera is not only a close friend of John Train. Piñera and Train are partners in a network of vulture funds, which have profited handsomely from the looting of Chile's privatized social security system. Train is listed as a director of Genesis Emerging Markets Fund Ltd., Genesis Emerging Markets Investment Company, and Genesis Chile Fund Ltd. Piñera is listed as a consultant to the board of Genesis Chile Fund Ltd., and was a director of Genesis Condor Fund Ltd., until Dec. 2, 2004.

As of 2002, Genesis Chile Fund was the largest foreign investment fund in Chile, holding a stake in one of the largest of the privatized Chilean pension funds, AFP Provida. In a Dec. 10, 2004 news release, circulated by the Chilean stock exchange, Genesis Chile announced that it was exploring ways to draw in investment capital from the very private pension funds it holds a stake in.

Genesis Chile has done spectacularly well at looting the Chilean people. For the fiscal year ending Sept. 30, 2004, the fund posted a whopping 35.8% increase in net asset value;

and, over the past decade, a tenfold increase. Over the same period, Chilean pensioners have been robbed blind and left penniless.

## The Train Dossier

John Train has been variously described by admirers as “the last of the OSS spooks on Wall Street,” and as a “noblesse oblige banker who has thrown his money behind the social democracy.” Bestselling author John Perkins would more accurately describe John Train as one of the world’s leading “economic hit men.”

Indeed, Train’s pawprints are to be found on some of the worst criminal enterprises of the postwar decades, including the 1980s Reagan-Bush “secret parallel government” fiasco, the criminal campaign to assassinate or imprison Lyndon LaRouche, and the cultural warfare scheme known as the Congress for Cultural Freedom. Some of Train’s oldest and closest associates, like the late Sir James Goldsmith, have been implicated in secret assassination programs in Africa, East-West underground arms smuggling, and the assassination in 1986 of Swedish Prime Minister Olof Palme. Train’s own links to the circles of the “European Arms Cartel,” who were behind the Palme assassination, are direct.

Although based in New York City, John Train is, in fact, a proud member of the Anglophile oligarchy, denounced by the late President Franklin Roosevelt as “the American Tories.” Indeed, while a Harvard undergraduate, Train participated in the disruption of celebrations of the ride of Paul Revere, seizing the platform in a British Redcoat uniform, complete with powdered wig. Appropriately, Train’s family fortune came, in large measure, from the 19th-century profits of Enoch Train and Company, a clipper-ship firm that served as a junior partner of the British East India Company in the Far East opium trade. Train’s grandfather on his mother’s side was a founding partner of JP Morgan.

Born in 1928, John Train was educated at Groton, Harvard, and The Sorbonne. In 1951, Train founded the Paris Review, a project of the Anglo-American intelligence community’s postwar cultural-warfare front, the Congress for Cultural Freedom. The publisher of Paris Review was Train’s Harvard roommate, Sadruddin Aga Khan. The magazine promoted such dregs of Fabian cultural perversion as the poet and British intelligence operative W.H. Auden; British literati spook Stephen Spender; British counterculturalist Aldous Huxley; propagandist-for-Weimar Christopher Isherwood; and Archibald MacLeish.

It was during this Paris period that Train first established his intimate ties to Sir Jimmy Goldsmith and his brother Edward. Up until his death several years ago, Sir Jimmy maintained weekly contact with Train, who reportedly handled part of the vast Goldsmith estate.

By 1956, Train returned to the United States, working for two years for Wall Street speculator Imre de Vegh, before launching Smith Train Counsel, his private investment fund.

Indicative of Train’s strong ties to the inner circle of the European financial oligarchy, in 1984, Smith Train Counsel was partly bought up by the London-based English Associate Trust, which was, in turn, a wholly owned subsidiary of the Swedish banking giant, PK Banken, a joint venture of the Swedish government and the notorious Erik Penser. A major shareholder in the Swedish component of the “European Arms Cartel,” Bofors/Nobel Industries, Penser was deeply implicated in dirty East-West arms deals, at the heart of the Palme assassination. As part of the deal, Train was placed on the board of PK Banken.

## 1980s Murder, Inc.

On Wall Street, John Train is known for his private *fondi* investments on behalf of leading European and Anglo-American oligarchs. In addition to the Goldsmiths, Train is the purported fund manager for Maurice “Hank” Greenberg, the boss of American International Group (AIG), the mega-insurance company that was behind the Reagan-era overthrow of Ferdinand Marcos in the Philippines.

- Train is also known for a series of books, touting the get-rich-quick methods of such speculators as George Shultz ally and Arnold Schwarzenegger-booster Warren Buffett, hedge-fund pirate John Train, and Magellan Fund guru Peter Lynch.

- But the real John Train, true to his “spook” description, is one of the leading players in some of the filthiest, drug-infested, covert operations of the recent decades.

- In January 1983, as part of the Reagan-era launching of “Project Democracy,” National Security Council official and former CIA officer Walter Raymond penned National Security Decision Directive 77, which was signed by President Ronald Reagan, thus creating one of the key secret components of what came to be known as the Iran-Contra “secret parallel government.” The NSDD-77-spawned “private donors executive committee” was to bring together a group of Anglophile financial fat cats, and some of the leading Cold War fanatics, who would bankroll and run a global covert operations program in Central America, Africa, and Central Asia, that would foment chaos and mass genocide on the ground, and funnel billions of dollars in illegal drugs onto the streets of America.

The “private donors” team would include longtime Train allies, including Freedom House founder Leo Cherne, second-generation neo-con spook Roy Godson, and British financiers Rupert Murdoch and Sir Jimmy Goldsmith.

Train would play a pivotal role in two of the nastiest of the Project Democracy illegal efforts. He was anointed as chairman of the Afghan Relief Committee, a propaganda front and money pass-through for the Afghani mujahideen, recruited to fight the Soviet Red Army inside Afghanistan. Train’s ARC would align with the most notorious of the Afghan warlords, G. Hekmatyar, who was a major player in the “Golden Crescent” opium connection that would flood

the U.S. and European markets with heroin throughout the 1980s.

## Get LaRouche

But Train's filthiest deed on behalf of the Anglo-American oligarchy was his mid-1980s role in the attempted political frameup and assassination of Lyndon LaRouche. On behalf of the Walter Raymond team at the NSC, Train was tasked to run an illegal black-propaganda campaign, through the U.S. media, to set the stage for a massive government raid on offices of companies associated with Democratic Party Presidential contender Lyndon LaRouche, as well as the residence where LaRouche was staying.

LaRouche was targeted by George Shultz and Henry Kissinger beginning in the 1970s, for his efforts to bring about a new, just world economic order, replacing their bankrupt post-Bretton Woods system.

But the "Get LaRouche" frenzy peaked when, on March 23, 1983, President Reagan, in a nationwide TV address, embraced LaRouche's plan for a Strategic Defense Initiative, in collaboration with the Soviet Union and America's traditional allies, thereby breaking the Cold War stalemate.

It was one month to the day after Reagan's SDI speech, that Train convened at his Manhattan home a working meeting of 25 leading media personalities, representatives of the Reagan White House secret team, donors committee member Richard Mellon-Scaife, and Federal agents, to plot an ambitious "Get LaRouche" propaganda offensive.

Over the course of the next year, literally dozens of slander pieces were planted in major American news outlets, from The New Republic, to the Wall Street Journal, to the Washington Post. When the cover was blown on the Train salon operation, leading participants, like NBC-TV's Pat Lynch, risked perjury prosecution to cover up for Train.

On Oct. 6-7, 1986, over 400 Federal, state, and local law-enforcement officials raided the offices in Leesburg, Va. associated with LaRouche, and the home where LaRouche was staying. Only through high-level intervention by friends of LaRouche in the U.S. government and intelligence establishment was a assassination averted. In December 1988, LaRouche was convicted in a railroad trial in Federal court in Alexandria, Va., and the next month sent to Federal prison, in what former Attorney General Ramsey Clark called the worst case of prosecutorial abuse he had ever seen.

Footnote: Eight months before the Leesburg raid, John Train's European and South African "friends" assassinated Sweden's Prime Minister Palme. Although evidence would later come out linking the South African mercenary circles bankrolled by Sir Jimmy Goldsmith to the Palme murder, Train's propaganda mill churned out a string of stories blaming the Palme murder on colleagues of Lyndon LaRouche.

Such are the ways of the "economic hitmen" and their "jackals."

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## Profile: George Shultz

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# The Man With the 'Chile Model' of Fascism

by Richard Freeman and Paul Gallagher

No one figure is more responsible for the drive to privatize and loot Social Security than George Pratt Shultz of Bechtel; senior "fixer" of the Republican Party; senior recruiter of the George W. Bush White House team, "the Vulcans"; and, like Robert McNamara before him, a preeminent "economic hitman" of the Anglo-American financial order on the international stage. Shultz was the key official—issuing instructions to President Richard Nixon—who brought Franklin Roosevelt's Bretton Woods postwar monetary system to an end in August 1971. He was the master of the "Chicago economists" who dominated Gen. Augusto Pinochet's 1973 coup and dictatorship in Chile. And Shultz in 1981 demanded from fascist Chile's Labor Minister José Piñera, who had just privatized social security there, a memo to incoming President Ronald Reagan on "how Chile did it." This was the first shot, fired 23 years ago, in the war against FDR's Social Security in the United States. Shultz's banker network and Piñera have collaborated ever since; and in fact, the "Chicago Boys" team of which Piñera was a part in Pinochet's Chile, was a product then of Shultz and his pet economist Milton Friedman.

Shultz, in a PBS-TV interview on Oct. 2, 2000, said of the Chile events: "The armed forces took over and no doubt did some unnecessarily brutal things in the process, but nevertheless they took over. . . . There were in Chile some people who came to be called 'Chicago Boys,' they had studied economics at the University of Chicago. . . . And so a Chicago School-like economy gradually evolved in Chile. It worked."

## Shultz vs. Roosevelt

Shultz's inside job in getting President Nixon to announce on Aug. 15, 1971, that the United States was going off the gold-reserve system—toward the floating-exchange-rate system that has ruled "globalization" ever since—hammered the nails in the coffin of Roosevelt's protectionist Bretton Woods system. Shultz brought that system to an official end with his declarations as U.S. Treasury Secretary, at the September 1973 International Monetary Fund annual meeting—just two and a half weeks after Pinochet's coup created Shultz's "Chile model" of fascist economics to be exported internationally.

Today, Shultz directs two of the bankers' most crucial projects. First, through the Vulcan team featuring Condoleeza Rice and Paul Wolfowitz—a team Shultz created for

a Bush II Presidency in summer 1998—Shultz controls White House underlying policy. Second, ever since Shultz assembled the Schwarzenegger for Governor campaign in California in 2003, he has run the hands-on “Beast-Man Project”: to make Arnie into a Hitler-like live force in this country.

George Shultz was raised to set oligarchical policy; his father, Birl Earl Shultz, was a major intelligence figure in the Anglo-American “Trust” operation. The elder Shultz was the personnel director for the American International Corporation of 120 Broadway, New York, N.Y., which was the most powerful hub of World War I-era Anglo-American financial chicanery. In 1957, George Shultz joined the Chicago School, becoming an economics professor at the University of Chicago’s Graduate Business School; he was dean of the Business School, 1962-68. During this time, the Economics Department flourished as the American command post for the financier oligarchy’s Mont Pelerin Society, which preached the anti-regulation, anti-government cult of speculative monetarism. Pinochet’s Chile, with its jackboot fascism and radical privatization/looting of the country’s national patrimony, was the personification of the Chicago School ideology. It is not surprising that the University of Chicago of the Shultz era provided cohabitation for the neo-liberal Mont Pelerinites and the Hitlerianism of Leo Strauss and the Straussian promoters of Nazi ideologues Martin Heidegger and Carl Schmitt.

As a trusted Chicago School agent, in 1969, Shultz was seconded to the incoming Richard Nixon Administration as Labor Secretary, at which post he served through June 1970; then, as first head of the Office of Management and Budget (OMB), he presided over brutal austerity until May-June 1972; finally, he functioned as Treasury Secretary until June 1974. Working in tandem with Undersecretary of the Treasury for Monetary Affairs Paul A. Volcker, Shultz controlled and then replaced Treasury Secretary John Connally. In 1969, Nixon was induced to sign National Security Study Memorandum 7, which created a formally designated “Volcker Group” inside his Administration, directed to prepare plans to change monetary policy. In May 1971, this group produced a paper entitled, “Contingency,” which already proposed “suspension of gold convertibility.”

As head of OMB, Shultz used the burgeoning U.S. budget and balance-of-payment crises to push his way into advising Nixon on international monetary affairs. After a series of monetary crises that had started with the November 1967 devaluation of Britain’s pound sterling, Shultz and Volcker made their move. According to a State Department document, International Monetary Policy, 1969-72, on Aug. 2, 1971, and again on Aug. 12, President Nixon sequestered himself with Shultz and Connally in extensive meetings at which the demolition of the Bretton Woods system was mapped out. On the matter of the international monetary system, Connally was constrained to present Volcker’s ideas. After two weeks of secret meetings, culminating in two days of Camp David meetings, on Aug. 15, President Nixon announced that he was

severing the dollar from the gold reserve system. Nixon also announced a fascist domestic austerity policy that was part of the same package.

In his book, *Economic Policy Beyond the Headlines*, Shultz gloated: “And it was accepted not only that fixed rates were clearly impracticable for the time being, but that also *we were fortunate to have in place a flexible market system. That was a bitter pill for some to swallow. To others, including the U.S., the emergence of a market-based system* was seen as a greater improvement over the inflexible gold-based system that preceded Camp David” (emphasis added). In June 1972, Shultz had himself appointed U.S. Treasury Secretary. In March 1973, he personally arranged, at a tense G-10 Finance Ministers meeting in Paris, to eliminate all support for fixed exchange rates. Shultz crowed that “markets rather than governments were explicitly in charge.”

### ‘Economic Hit Man’

In 1981, George Shultz, as Bechtel Corp. president and advisor to the transition team of President-elect Ronald Reagan, paid a visit to José Piñera, Chile’s Minister for Labor and Social Security, who imposed the privatization of social security at the point of a bayonet. Shultz got from Piñera a memo on how to privatize Social Security on the Chilean model. Piñera describes what happened in an entry on his website, dated January 1981: “George Shultz, former Treasury Secretary and now advising President-elect Ronald Reagan, visits me in the Ministry of Mining at the head of a large Bechtel delegation. After discussing mining issues, he stays alone for another hour and asks me to explain fully our revolutionary social security reform. At the end, he asks me for a one-page memo on the reform to give to Reagan. . . . Next day I delivered it to his hotel. The Dow Jones is at 900.”

Shultz apparently could not persuade Reagan, but kept working on the matter. Today, he is a board member of the Republicans’ House Policy Committee’s “Social Security Working Group,” leading the push for Social Security privatization, which George Bush is seeking to implement now.

In his book, “Confessions of an Economic Hit Man,” author John Perkins, a former chief economist for the international consulting firm Charles T. Main, identifies the process by which “economic hitmen” working for large financial institutions and other firms indebt Third World countries, and then use the debt to extract military and political concessions from the indebted country; and to commit genocide, so as to devour the country’s natural resources.

In his analytical account, Perkins identified that George Shultz, both as president of Bechtel (1975-82) and as Ronald Reagan’s Secretary of State (1982-89), functioned as the heir to Robert Strange McNamara as one of the top figures in the new imperial pyramid of power, which employed the structure of economic hitmen to bleed and crush nations. Shultz used force to topple governments, such as the Philippines’ Ferdinand Marcos in 1986, and such as the various attacks on

Panama, culminating in the 1989 invasion. On Oct. 1, 1982, Mexican President José López Portillo, fresh from his courageous imposition of exchange controls the month before, carried out to protect Mexico's credit, told the United Nations General Assembly that the world must either change (Shultz's creation) the international monetary system "or else enter into a new medieval Dark Age." Then-Secretary of State Shultz had spoken one day earlier, Sept. 30, threatening the nations present that they had better stay in line, and pay their debts to the IMF.

But Shultz's power goes further. On Oct. 25, 1984, speaking at the Park Avenue Synagogue in New York, Shultz, dreaming of world empire, delivered remarks calling for the U.S. to adopt a preemptive first-strike policy, such as one might associate with Vice President Cheney or Defense Secretary Donald Rumsfeld today. Shultz argued that the United States had to strike first: "The public must understand before the fact that some will seek to cast any preemptive or retaliatory action by us in the worst light . . . The public must understand before the fact that occasions will come when their government must act before each and every fact is known."

### The Vulcans and Arnie

That the bankers have entrusted to Shultz the special cases of George W. Bush and Arnold Schwarzenegger, indicates the level of overview and direction Shultz exercises over the whole system.

In April 1998, at Shultz's Palo Alto, Calif. home, the George W. Bush for President in 2000 campaign was formulated and launched. Shultz later agreed to chair the Bush Presidential Exploratory Committee; his vice chair was Dick Cheney. Recognizing that "Dubya" was one of the most unqualified individuals ever to run for, let alone hold, high office, Shultz formed a group to shape the *tabula rasa* of Bush's mind. Group participant Condoleezza Rice gave the group the name "Vulcans," but it was Shultz who ran it and gave it its neo-conservative ideology. Starting in autumn 1998, Shultz arranged that every Sunday night, Condi Rice, and the Straussian Paul Wolfowitz (now #2 at the Defense Department) would hold a conference call with Bush, then Governor of Texas. Soon, it is reported, the Cold Warriors and Zionist Lobby zealots Richard Perle and Dov Zakheim were holding Monday morning conference calls with Bush. Thus Shultz developed a network through which, at critical junctures, to set White House policy.

A similar process is underway for Arnie, the iron-pumping, steroid-chugging import from Austria, who in a 1977



*George Shultz dominated economic policy under Nixon, served as Secretary of State for Ronald Reagan, and was the architect of George W. Bush's "team."*

interview said, "I admired Hitler . . . because he came from being a little man with almost no formal education, up to power, and I admire him for being such a good public speaker and for his way of getting to the people and so on. . . ."

But how did Arnie get into the Governorship of California?

The deregulated electricity "Enron" rip-off of California in 2000-01, to the tune of approximately \$70 billion, led to the collapse of the electricity grid, a crisis for basic industry, and a rage within the population at rising energy bills. The circle that included George Shultz turned the rage against the Governor, Democrat Gray Davis. On Aug. 15, 2003, Arnie appeared before the cameras to announce his campaign for Governor during the recall; he was flanked by his campaign advisory team leaders George Shultz and Warren Buffett. Buffett, who runs one of the biggest vulture funds in the world, has been lionized as the "genius" of the investment world by Wall Street's John Train.

On Sept 17, 2004, Schwarzenegger announced the establishment of a 16-member Council of Economic Advisors that will help him "in confronting the economic challenges facing" California. Its chairman is George Shultz.

Schwarzenegger has already exploded California's state debt by 50% and savaged its government programs, in a single year as Governor. Now Shultz is preparing Arnie for a Beast-Man run for the U.S. Presidency.

As his 50-year record shows, when the system is in breakdown, and the oligarchy desperately needs sources of loot—as now, with Social Security—George Shultz is the man with the "Chile model."



# Looting of Nations by Pension Privatization

## Ibero-America

Eleven countries in Ibero-America have privatized their social security systems, under pressure of the International Monetary Fund and their creditor banks. Chile was the model for the others, both in privatizing its system in 1981, and in its spectacular failure over the long term—so much so, that all forces in the country now agree it must be radically reformed. The Chilean government itself will be submitting a proposed reform to congress in early 2005.

**Chile:** The Chilean fiasco can be summarized in a few statistics:

- Only 20% of the labor force are covered with a pension greater than the government minimum standard of \$110/month.
- About 25% of worker payments are skimmed off as “administrative fees” by the Pension Fund Administrators (AFPs).
- From 1997-2004, the AFP annual profit rate was a cool 50%. The AFPs are 94% controlled by foreign banking interests.
- From 1982-2004, the annual return on individual accounts with the AFPs has averaged only 5.1%.
- If two co-workers with the same salary in 1981 entered, one the old pay-as-you-go system, and the other the new privatized system, the co-worker in the privatized system today would receive less than half of the amount that the person who had remained in the old public system would be receiving.

In the other countries where social security has been privatized, it has followed the same trajectory of attaching billions of dollars in workers’ pensions, and using it to bail out foreign banks. For example, in Peru, workers in the privatized system are forced to pay in 11.2% of their gross wage, the AFPs take an average 28.7% of the amount paid in as a “commission,” and the AFP’s average profit rate, as of May 2004, was 68%.

**Mexico:** Mexico attempted a privatization of its system of retirement assistance in 1992; when that “reform” fell apart, a more dramatic privatization was legislated in 1997. The old pay-as-you-go system, based in significant part on the employer’s contribution, had generated surplus reserves for years, but these reserves had often been tapped by the government for expenses and public investments. The new private

funds, called by the acronym AFORES, *are based very closely on the “Chile model.”*

The AFORES manage \$30-40 billion in funds of 12 million workers previously affiliated with the Mexican Social Security Institute (IMSS). These funds were created in 1997 with very large increases in retirement contributions by the Mexican government (from 0.425% of wage under the old system to 2.425% under the new) and employers (from 9.5% under the old system to 12.9% under the privatization scheme). As a result:

- Under the new scheme, the Mexican government is burdened with expenses estimated (by a CBO analysis in 1999) at 0.4% of GDP in 2006, and at 0.8% of GDP in 2025. As in Chile, the government is left guaranteeing a minimum pension to millions of workers who don’t qualify for it under the privatization.
- That minimum is itself reduced, from 40% to 35% of the average wage.
- Foreign banks—The Banco Santander, Banamex, Bank of Nova Scotia, Banco Bilbao Vizcaya-Mexico—are now owners of the private pension funds of Mexico.
- The AFORES, from the outset, charged fees equal to at least 8-10% of the combined retirement contributions paid by employee, employer, and government. Now, it is estimated that the AFORES’ fees are up to 30% of contributions paid—a swindle by any standard. The Social Security Commission of the Mexican Congress is demanding that the “fiscal cost” of the AFORES be investigated.
- As of Jan. 1, 2005, the AFORES may invest 20% of its funds in the stock market, and 15% in foreign markets, Chile-style. This was a demand of José Piñera of the Cato Institute (who was Chile’s privatizer when he was Labor Minister in 1981) and other ideologues, who objected to the AFORES investment mainly in federal, state, and municipal debt paper.

**Argentina:** The partial privatization of Argentina’s Social Security system in 1994 was a major contributing factor in the explosive debt crisis, default, and economic collapse of the country in December 2001.

- Aside from the looting represented by the large and illegitimate foreign debt, the 1994 privatization deprived the government of a significant amount of tax revenue which the privatization scheme diverted into private accounts, known as AFJPs. To make up the resulting deficit, the government was forced to borrow abroad—at very high interest rates—and accept the austerity conditionalities attached to IMF loans, in particular. By 2001, the deficit created by lost revenue was close to 3% of GDP, according to a 2002 study by the Center for Economic and Policy Research in Washington.
- The December 2001 default punctured the claims of lunatic analysts—just like those now coming out of the woodwork around the White House, and Congressional Republicans—that Argentina could take 75 years to pay off these “transition costs.”



*Partners in crime: Chilean architect of the “Pinochet Model” of privatizing pensions José Pinera (left) and U.S. Federal Reserve Chairman Alan Greenspan.*

- In September 2001, three months before the debt default, the IMF forced the government to make a 13% cut in benefits in its old pay-as-you-go social security program—still functioning alongside the new private system—as a conditionality for a new agreement. The old program had been generous, offering a broad array of survivor and disability benefits, in addition to pensions.

- By the late 1990s, 48% of AFJP funds were invested in bonds, on which the government defaulted in late 2001.

The other Ibero-American countries that have privatized social security to date are: Peru (1993); Colombia, Costa Rica, Ecuador, Uruguay (1994); Bolivia (1997); El Salvador (1998); Panama (1999).

## Canada

Canada’s Old Age Security system was privatized in 1999 with the creation of the Canadian Pension Plan (CPP). In 1997, in preparation, the Paul Martin government drastically raised the contribution rate (payroll tax) from 5.8% of earnings to 9.9%—needless to say, creating since 1998 a substantial surplus of \$74 billion, projected to keep growing through 2015. Under Law C-2 passed by Martin’s government in 1999, this surplus was then turned over to a CPP Investment Board (CPIB); the CPP’s chief actuary charged that figures were being faked in this process, and the government fired him. The CPIB’s self-description: “We are an investment corporation managed independently of the CPP

by experienced investment professionals drawn from the private sector.” The CEO for 1999-2004 has been John McNaughton, former president of Nesbitt-Burns Investment Advisors, an investment firm linked to the Bank of Montreal.

- In the CPIB’s five years under McNaughton’s direction, it has already suffered one year—2002—in which it invested \$18.4 billion of CPP funds and lost \$3 billion, a negative 15.9% return. In 2004, its rate of return will apparently be only about 4%.

- McNaughton’s Board has used the CPP as a fund to back favored start-ups, and energy companies like Talisman Energy, making dubious investments in Sudan. In a January 2000 speech he said: “We are long-term investors. We can be patient and can support companies during adverse periods if they have strong boards of directors. . . .” In 2003, the CPIB put \$50 million in a Canadian Venture Capital fund for “early-stage software companies,” and so on.

- As of 2003, the CPP’s mandatory 90-day benefits reserve fund was abolished, and 100% of its surplus fund is now in the account of the CPIB.

## Sweden

In 1998, the Swedish social security system was opened to “the markets.” Of the Swedish worker’s income, 2.5% (about one-seventh of the total retirement contribution) was diverted to private accounts managed by funds, for investment in the stock market, after a TV propaganda blitz to convince Swedes they would become millionaires thereby. Though most Swedes remained opposed to privatization, it was done anyway. An Oct. 29, 2004 Swedish investigative TV report exposed those 1998 claims as simple lies, including the patently false “warning” that Swedish pension funds invested in safe government Treasury bonds would soon be losing money.

Also in 1998, the four large public funds which manage the other 16% in “pay-as-you-go” retirement contributions, suddenly shifted from 30% equity investment of those public funds, to 70% equity investments. And the government began heavily to “borrow” the funds’ surpluses for general expenses, Bush-style, in anticipation of their great near-future gains!

The IT bubble’s collapse ensued. The losses by the public funds are likely to increase the retirement age from 65 to 69 in near-future legislation. The individual employees, on their own modest scale, are also losing: In 2003, some 87% of all the private investors of retirement funds, in 654 investment funds available, were losing money, with an average annual loss of 10%-20%. Now, Swedish employees and retirees dread opening the bright red envelopes which contain their checks and statements about “their” accounts.

## The Plot Against FDR: A Model For Bush's Pinochet Plan Today

by William F. Wertz, Jr.

The three most prominent historical models for the kinds of economic and financial warfare operations carried out by the financial oligarchy as described in John Perkins' recent book *Confessions of an Economic Hit Man*<sup>1</sup> are: 1) the Venetian empire during the period leading into the Hundred Years War and the Dark Ages of the 14th Century; 2) the Venetian-style empire established by the British East India Company following the Treaty of Paris at the conclusion of the Seven Years War in 1763; and 3) the Anglo-American-German cartels established in the 1920s. The purpose of this report is to examine the latter as the most immediate precedent for the current danger presented by a private financier oligarchy bent on world domination under the guise of "globalization."

It is the thesis of this report that the post-World War II financial oligarchical system described by Perkins is a direct continuation of the cartel arrangements of the 1920s, which led to World War II. Globalization had its precedent in the pre-World War II cartel arrangements, which U.S. President Franklin D. Roosevelt intended to dismantle after the war.

Roosevelt had sent a letter to Secretary of State Cordell Hull on Sept. 8, 1944, in which he said: "The history of the use of the I.G. Farben trust by the Nazis reads like a detective story. Defeat of the Nazi army will have to be followed by the eradication of those weapons of economic warfare."

However, despite the clear intention of President Roosevelt before his untimely death, those same cartels survived

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1. *Confessions of an Economic Hit Man: How the U.S. Uses Globalization To Cheat Poor Countries Out of Trillions* (San Francisco: Berret-Koehler, 2004). Lyndon LaRouche's commentary on the book, "The Follies of the Economic Hitmen: Re-Animating the World's Economy," appeared in *EIR*, Dec. 3, 2004. *EIR* on Dec. 3, 2004 began a series of articles on the deeper history of the "hit man" operation, including a review of Perkins' book and an interview with the author in our issue of Dec. 10, 2004.

the war under the control of their pre-war Anglo-American cartel partners, who blocked the post-World War II plan to dismantle the cartels.

Hitler was brought to power in Germany by an international financial oligarchy based in London and Wall Street. Faced with a global depression, the financial oligarchy opposed solving the crisis using American System methods of physical economic development as implemented by Roosevelt in the United States, and as proposed under the Lautenbach Plan in Germany before Hitler's ascension to power.<sup>2</sup> Instead they fostered the creation of fascist governments in Italy, Germany, Spain, etc., in an effort to maintain their control over a collapsing financial system, at the expense of the welfare of the population. The fascist regimes brought to power were designed by synarchist financier circles, to enforce their genocidal slave labor and looting policies and to carry out military aggression in search of further loot.

This is the same policy seen today in the form of the global effort to impose International Monetary Fund (IMF) policies of debt collection and austerity. The leading edge of this fascist policy is the Bush Administration's current drive to privatize and thus loot the Social Security system introduced to the United States by President Roosevelt in the 1930s. The model explicitly cited by Bush for this drive today is the economic policy of George Shultz et al., implemented in Chile under the murderous Operation Condor of dictator Gen. Augusto Pinochet.

Before World War II, when Hitler was engaged in a mobilization to prepare for aggressive war, the financial oligarchy

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2. See Helga Zepp-LaRouche, "The Lautenbach Plan for Economic Recovery," *EIR*, March 20, 1998; and Michael Liebig, "Recovery Program Could Have Blocked Hitler's 'Legal Coup,'" *EIR*, March 5, 1999.



*Twenty-four defendants from Germany's I.G. Farben trust were charged with war crimes, at the Nuremberg Tribunal. President Roosevelt had called for "the eradication of those weapons of economic warfare," but the economic hit men of the financial oligarchy sabotaged his intention, after his death.*

in London and Wall Street was completely intertwined with the German-centered branches of the cartels. During the war, many of these companies continued to trade with the enemy. That same oligarchy after the war rushed to protect its assets, and in the context of the Cold War, which it provoked through Churchill and Truman after the death of Roosevelt, conspired to use those assets to overthrow the post-war Bretton Woods system, envisioned and set into motion by Roosevelt, based upon the sovereign nation-state and the American System of political economy. In its place, the financial oligarchy wanted to establish a form of universal fascism without Hitler, in the form of what we now call globalization.

It was this apparatus of which President Dwight D. Eisenhower warned in his Farewell Address, when he referred to the "military industrial complex." The Bretton Woods system could not be eliminated immediately. That would not occur until the first decisive steps were taken in 1971 by President Richard Nixon, under the influence of George Shultz. Since then, the cartels have been on an offensive to completely eliminate the sovereign nation-state and the American System of political economy, championed during his lifetime by Roosevelt, and today by Lyndon LaRouche.

### **The Cartels: A Schacht-Dulles-Morgan Plan**

The involvement of John Foster and Allen Dulles in the creation of the cartels, and in what eventually became the Hitler project, began from the period of the Versailles Treaty

of 1919, which required that Germany accept sole responsibility for causing World War I. As a consequence of this, Germany lost 13.5% of its 1914 territory and was forced to pay war reparations. The economic effect of the latter severely crippled the German economy in the 1920s, leading to the collapse of the Weimar Republic. The worsening depression in the 1930s contributed to Hitler's rise to power.

During World War I, Allen Dulles was posted to Bern, Switzerland by his uncle, President Wilson's Secretary of State, Robert Lansing. There he served as chief of intelligence in the American Legation. Lansing brought both Allen and John Foster Dulles into the Versailles Peace Treaty negotiations. By mid-1920, Allen Dulles was First Secretary of the American Embassy in Berlin.

In post-World War I Europe, attorney John Foster Dulles represented the Bank of England and the J.P. Morgan firm. In the Spring of 1920, just after the Versailles negotiations, John Foster met Hjalmar Horace Greeley Schacht (1877-1970), then a minor official of the Allied-created German banking authority, who would later emerge as the architect of the Nazi slave-labor, war economy in the 1930s.

On March 20, 1922, Schacht made the following proposal to John Foster Dulles for a new international system:

"A solution of the reparation problem . . . to give Europe a couple of years—say five—to restore . . . steady conditions in the different countries. . . . Germany must find a loan of say 5 billions of gold marks, proceeds of which have to be

handed at once to France. . . . My idea is, not to issue a state-loan but a loan of private corporations. I want to form, say, four private German corporations; to each of these four corporations the German government has to grant the monopoly of exports of some bulk articles as for instance coal, potash, sugar and cement, each corporation controlling the export of one of these articles. The monopoly has to be granted for 20 years. The inland producers have to deliver their production to the corporations. . . .

“The corporations are to issue loans at a total amount of 5 billions gold marks. . . . As the total export of the 4 corporations can be estimated at 500 million gold marks, the amount of the loan will be repaid within 10 years. . . .

“The loan which I propose is not . . . based on any political treaty. . . . The repayment of the loan is under control of first industrial and commercial people of the highest standing.”

The letter was forwarded by Dulles to Thomas W. Lamont, partner of J.P. Morgan, with Dulles’s support, and over the next several years the essence of this Schacht-Dulles-Morgan plan was put in effect. This was the origin of the British-directed, German-centered international cartels which were created in the 1920s.

Schacht himself was appointed German National Currency Commissioner in November 1923, and one month later was named president of the Reichsbank.

John Foster Dulles had been, since 1919, the lawyer for Richard Merton, the founder of the most important of these cartels, Interessen Gemeinschaft Farben (I.G. Farben). In 1924, Dulles was selected by J.P. Morgan to draw up the Dawes Plan, for reshaping Germany’s reparations payments in negotiations with Schacht. In 1926, John Foster Dulles became chief executive of Sullivan and Cromwell, the law firm which represented all of the cartels.

## The Formation of the Cartels

The Schacht-Dulles-Morgan plan resulted in a series of arrangements in 1926-29, involving some of the biggest British, American, and German firms. The two leading cartels were the I.G. Farben chemical combine and the International Steel Cartel. Both had their beginning when \$800 million in foreign loans was extended under the Dawes Plan, to consolidate the German chemical and steel combinations into cartels. Three Wall Street houses, Dillon, Read & Co.; Harris, Forbes & Co.; and National City, handled three-quarters of the loans.

In 1925, the I.G. Farben combine was formed by six of the biggest German chemical producers. In August 1927, Standard Oil agreed to embark on a cooperative program of research and development of the hydrogenation process—the production of gasoline from coal—which had been discovered by a German scientist in 1909. In 1928, Henry Ford merged his German assets with those of I.G. Farben. And then on Nov. 9, 1929, the establishment of an international petrochemical cartel was achieved with the marriage of I.G. Farben to ICI and Shell Oil of Great Britain, and to Standard

Oil and DuPont of America.

The cartel agreement between Standard Oil and I.G. Farben formed the core of the agreement. First, Standard Oil was granted one-half of all rights to the hydrogenation process in all countries except Germany. Second, the two agreed “never to compete with each other in the fields of chemistry and petroleum products. In the future, if Standard Oil wished to enter the broad field of industrial chemicals or drugs, it would do so only as a partner of Farben. Farben in turn, agreed never to enter the field of petroleum except as a joint venture with Standard.”

By the beginning of World War II, I.G. Farben had cartel agreements with 2,000 companies around the world, including Ford Motor Co., Alcoa, General Motors, Texaco, and Procter and Gamble.

In 1926, the International Steel Cartel was established, with offices in Luxembourg. This was a privately organized policing system that governed the steel trade of the world from 1926 to 1939. Its German component was the United Steel Works Corp. (Vereinigte Stahlwerke), a combination of the four biggest steel producers in Germany. This group, led by Ernst Poensgen, Fritz Thyssen, Otto Wolff and others, managed to get more than \$100 million from private investors in the United States. Dillon, Read & Co., the New York investment firm of Clarence Dillon, James V. Forrestal, and William H. Draper, Jr., floated the bonds.

When the first international agreement was signed on Sept. 30, 1926, all the sponsors of the steel cartel declared that it was a first step in the formation of an “economic United States of Europe.” By 1938, about 90% of all iron and steel shipped in international trade was under the control of the International Steel Cartel. Besides Germany, which ran the cartel, membership included Austria, Poland, Czechoslovakia, the United Kingdom, and the United States, even though the U.S. companies—U.S. Steel, Bethlehem, and Republic—could not sign the formal agreements for division and restriction of markets because of U.S. anti-trust laws.

In 1919, three German electric-lamp manufacturers, Siemens & Halske, AEG, and Auergesellschaft, formed a new company known as Osram, in an effort to regain lost foreign properties and markets. AEG was largely controlled by the U.S. company General Electric. Similar ties existed with all the other related firms in Germany, Britain, and the United States. In 1924, to prevent possible “foreign” competition, Osram proposed the creation of a company in Switzerland called Phoebus, which would be jointly owned and managed by all the participating companies. By July 1929, Osram and General Electric’s subsidiary for foreign operations, International General Electric, created a “partnership for all time.” From 1929, the relations between Osram and International General Electric developed along lines similar to the arrangements of I.G. Farben with its foreign partners.

As early as the 1920s, four-fifths of German industry was grouped into combines.



*Hjalmar Schacht (center), at the Nuremberg Tribunal, 1946. It was Schacht who in 1922 proposed, to John Foster Dulles, the cartelization of German and other international industry. That cartelization made possible the Nazi war mobilization. Schacht became the Reichsbank president and later Hitler's Economics Minister.*

## The Banking Aspect

The American System of political economy is based upon national banking, as opposed to the Anglo-Dutch Liberal system of an independent central bank. Montagu Norman, who was governor of the Bank of England from 1919-44, was the primary advocate of the creation of independent central banks. Germany, like England, had a privately owned central bank, the Reichsbank, which was headed by Norman's protégé, Hjalmar Schacht, from 1923 until 1930, and then again after Hitler assumed power in 1933, until 1939, when Schacht was replaced by Walther Funk.

There were six centralized commercial and investment banks in Germany: the Labor Front Bank (Bank der Deutschen Arbeit), set up by the Nazis; Reichs Kredit Gesellschaft, a leftover from World War I; Berliner Handelsgesellschaft; Commerzbank, also based in Berlin; and the two giants, Dresdner Bank and Deutsche Bank. The strength of these two latter banks was that they combined deposit banking with investment functions, a practice not allowed in the United States. They were also directly connected to I.G. Farben. The only director of I.G. Farben who came from outside the firm was Edward Mosler of Deutsche Bank, while Carl Pfeiffer, an inside man at I.G. Farben, became a director of Dresdner Bank.

Besides these Big Six, there were several small but important private banking partnerships, such as Bankhaus J.H. Stein in Cologne, run by Baron Kurt von Schröder. After the war, it was discovered that at least 20 of the best known directors

of the German cartels, including I.G. Farben's Baron von Schnitzler and Otto Wolff, and Friedrich Flick of the German Steel Trust, made regular deposits in a special account in this bank labeled "Sonderkonto S." Whenever Nazi SS chief Heinrich Himmler wanted money, contributors would make deposits to this account and the money would be withdrawn to fund the SS. The records showed that von Schnitzler made steady contributions of at least \$40,000 a year, as did Friedrich Flick.

In addition to these private German banks, one of the central instruments of the synarchist international in setting up the cartels and bringing Hitler to power was the Bank for International Settlements (BIS) in Basel, Switzerland. From its inception, and continuing to this day, the BIS has been known as the "bankers' bank." In opposition to the American System conception of national banking, the BIS is based on the Anglo-Dutch model of central banks independent of the control of sovereign nation-states.

The BIS was created in 1930, under the so-called Young Plan, by the world's central banks, including Montagu Norman's Bank of England and the U.S. Federal Reserve. The Young Plan was named after Morgan agent Owen Young, who was chairman of the board of General Electric. The BIS was inspired by Hjalmar Schacht, who was then the president of the Reichsbank. He was supported in the creation of the BIS by Montagu Norman, who was advised by Baron Bruno Schroder of the British branch of J. Henry Schroder Bank. Schroder's partner, Frank Cyril Tiarks, was Norman's co-

director at the Bank of England throughout Norman's career.

Among the directors of the BIS under its American presidents, which included Thomas McKittrick during World War II, were Hermann Schmitz, head of I.G. Farben; Baron Kurt von Schröder, head of the J.H. Stein Bank of Cologne, and a leading officer and financier of the Gestapo and the Death's Head Brigade; Dr. Walther Funk of the Reichsbank; and Nazi economist Emil Puhl—the latter two figures, Hitler's personal appointees to the board.

The BIS was the money funnel for American and British funds to support Hitler's assumption of power, and then to build up his war machine. By 1939, the BIS had invested millions in Germany, while Kurt von Schröder and Emil Puhl deposited large sums of looted gold in the Bank, which after the war were used to fund the Nazi "rat-lines." Named after the lines on the mast of a sinking ship on which rats would try to escape, the Nazi rat-lines were used to smuggle Nazis and their collaborators out of Europe to safety in South America and Southwest Asia.

The BIS was an instrument of Hitler, but it continued to exist with the approval of Great Britain even after Britain went to war with Germany. The British director, Sir Otto Niemeyer, and chairman Montagu Norman, remained in office throughout the war.

A resolution was introduced at the Bretton Woods conference in July 1944, calling for the BIS to be dissolved, and another one calling for an investigation of its books. The latter was withdrawn under pressure, and after the war no investigation ever occurred. The BIS continues to operate to this day.

## The Plot To Install Hitler

In his book, Perkins describes his role as an economic hit man (EHM) on behalf of a financial oligarchy. If the hit men did not succeed in getting a targetted nation to succumb, then it was time to deploy the "jackals" to carry out assassinations or coups d'état. If the jackals failed, the military would come in directly. In a very real sense, I.G. Farben was the economic hit man of the financial oligarchy of that day; the Nazis were the jackals.

In 1930, Schacht resigned as president of the Reichsbank, due to differences with the Weimar government. Like Hitler, whom he came to support, Schacht opposed continued payment of war reparations, and, like Hitler, demanded brutal austerity directed at the working population, through militarization of the economy.

Schacht made his pro-Hitler viewpoint clear in a speech he gave on Oct. 20, 1930, before the Foreign Policy Association in New York, on "The Young Plan in Relation to World Economy." Schacht was joined at this event by his long-time colleague, John Foster Dulles.

In his speech, Schacht criticized the German Social Democrats for trying to increase the living standards of the working class at the expense of the richest 80,000 people in Ger-



*Secretary of State John Foster Dulles in West Berlin, in 1954. One of the principal architects of the Cold War, Dulles in the 1920s had been the chief executive of Sullivan and Cromwell, the law firm which represented the industrial cartels. He worked with Schacht to finance Hitler's government.*

many. He stressed that Germany suffered an import surplus of 2 billion marks a year due to the lack of raw materials. In addition, Germany had to pay one and a half billion gold marks per year on interest and amortization for private loans, plus approximately 2 billion of reparations. That meant that Germany had to make payments of more than 5 billion marks a year, by achieving an export surplus. "In order to make the export surplus, we must import the raw materials wherefrom to manufacture our goods. So to reach the aim we have to increase the present German trade by nearly 50%. I think that the Allied countries . . . will not stand that. . . ."

Schacht concluded his speech by praising the "Hitlerites" who had just achieved significant vote totals in the German elections. The support Hitler received in these elections, in which he campaigned against the payment of reparations, was characterized by Schacht, who lied that the Nazis posed no violent threat, as "a warning to the world":

"Ladies and gentlemen, the last political events in Germany do *not* mean that something violent or revolutionary



*On Jan. 4, 1933, Hitler revived his flagging political prospects by meeting secretly with former Chancellor Franz von Papen at the home of banker Kurt von Schröder (inset). Von Schröder, head of the J.H. Stein Bank of Cologne, would become a leading officer and financier of the Gestapo and the Death's Head Brigade.*

will happen. They mean simply a form of protest within the legitimate lines of the Constitution, and I think it is the very great advantage of modern democracy that you can feel the sentiments and the opinions of a big people from the constitutional vote and that is what these last elections mean. Even the Hitlerites, even these radicals of the Right, will not do anything violent. All they are asking for is not to become dishonest, not to become forced by politics into a situation which would make them lose their self-respect. They want to maintain their self-respect, and that is why they gave that warning to the world.”

Soon thereafter, Schacht began to organize support for Hitler and his National Socialist German Workers Party (NSDAP, the Nazi Party). In 1931, after discussions with both Hitler and Hermann Göring, Schacht pushed Chancellor Brüning to bring the NSDAP into the government. Then in November 1932, as a member of an organization called the Circle of Friends of the Economy, Schacht initiated a petition among industrial and financial circles, calling upon President Hindenburg to appoint Hitler as Chancellor. On Jan. 30, 1933, Hindenburg did so, after a meeting of former Chancellor Franz von Papen and Hitler at the home of Baron Kurt von Schröder in Cologne.

Nonetheless, the Nazi Party was not assured of victory in the March elections. So on Feb. 20, 1933, Göring invited 20 leading industrialists and bankers to hear a speech given by

Hitler on “private enterprise.” Göring then asked for financial support from those attending. Schacht made it more explicit: “At this table we must raise a fund of 3,000,000 marks.”

Von Schnitzler, who attended the meeting, went back to report to the entire Board of Directors of I.G. Farben on the meeting. The company put up 400,000 marks, the largest single contribution to Hitler’s campaign. The next day, the Reichstag Fire took place, which Hitler blamed on the Communists (it was actually instigated by Göring). Hitler used the fire as the pretext for forcing through emergency rule. This was the first act of Hitler and the Nazis, after receiving the Farben contribution.

Clearly it was the view of Schacht and his backers in London and Wall Street, that only Hitler could carry out the brutal austerity policies which Schacht advocated. Thus on March 16, 1933, after Hitler consolidated his power, Schacht resumed his position as president of the

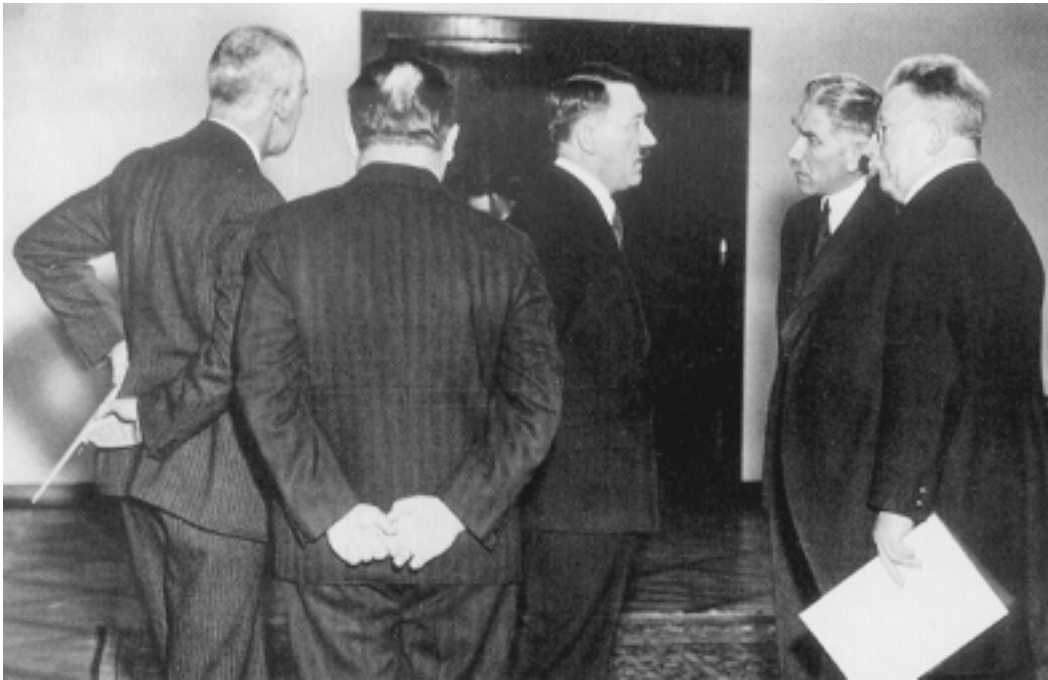
Reichsbank. Later that year, John Foster Dulles, as a representative of Brown Brothers Harriman, Dillon Read, Kuhn Loeb, and all private investment banks and Wall Street firms, travelled to Berlin to negotiate with Schacht on the financing of the new Hitler government. He was accompanied by a Sullivan and Cromwell subordinate and three employees of Chase Bank.

In August 1934, Schacht was appointed the Nazi Economics Minister, a position he held until November 1937. From 1935-37, he also functioned as Plenipotentiary for the War Economy. Only in January 1939 did he resign as Reichsbank president, due to a jurisdictional dispute with Hermann Göring, who had been made virtual economic dictator. Schacht nonetheless remained minister without portfolio until 1943.

Long before Hitler came to power in 1933, he had received substantial support from the private cartels. The most famous case is that of Fritz Thyssen of the United Steel Works Corp. or the German Steel Trust. In 1941, Thyssen published a book entitled *I Paid Hitler*, in which he admitted that he began funding Hitler with a contribution of 100,000 marks in October 1923.

In 1922, W. Averell Harriman had been in Berlin to set up the Berlin branch of W.A. Harriman & Co. According to U.S. government investigators, “sometime prior to 1924” Harriman and Thyssen agreed to set up a bank for Thyssen in New York. The Union Banking Corp. was established in





*Hitler, Franz von Papen, and Alfred Hugenberg meet at the Chancellery on Jan. 30, 1933. President Hindenburg decided at this conference to accept Hjalmar Schacht's advice, and appoint Hitler as Chancellor.*

1924, as a unit in the Manhattan offices of W.A. Harriman & Co., interlocking with the Thyssen-owned Bank voor Handel en Scheepvaart (BHS) in the Netherlands. Prescott Bush, the grandfather of George W., became vice president of W.A. Harriman & Co. in 1926, the same year that the German Steel Trust was formed with the help of Dillon, Read.

After the war, Fritz Thyssen told Allied interrogators:

"In 1930 or 1931 . . . I told [Hitler's deputy Rudolf] Hess . . . I would arrange a credit for him with a Dutch bank in Rotterdam, the Bank für Handel und Schiff [Bank voor Handel en Scheepvaart, the Harriman-Bush affiliate]. I arranged the credit . . . he would pay it back in three years. . . . I chose a Dutch bank because I did not want to be mixed up with German banks in my position, and because I thought it was better to do business with a Dutch bank, and I thought I would have the Nazis a little more in my hands. . . ."

"The credit was about 250-300,000 [gold] marks—about the sum I had given before. The loan has been repaid in part to the Dutch bank, but I think some money is still owing on it."

On Oct. 20, 1942, the U.S. government seized the Union Banking Corp. of which Prescott Bush was a director, under the Trading With the Enemy Act.

Friedrich Flick, the major co-owner of the German Steel Trust with Fritz Thyssen, also financed the Nazi Party and was a member of the Circle of Friends of Himmler, who contributed large sums to the SS.

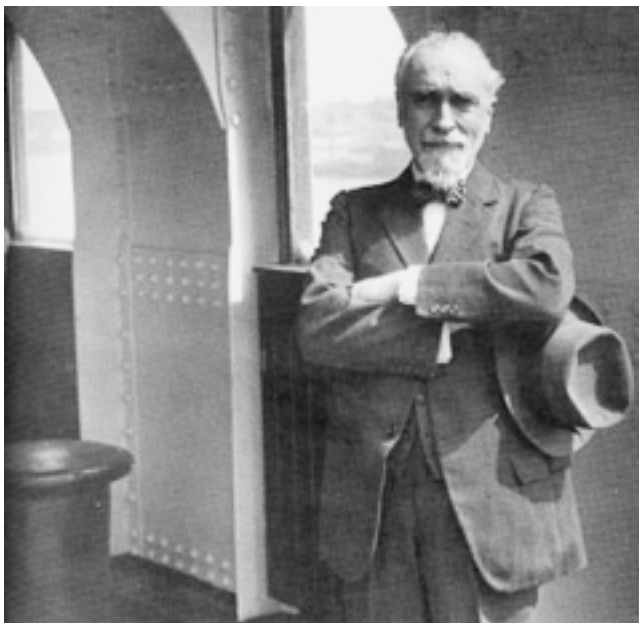
In March 1932, a DuPont representative in Germany wrote: "It is a matter of common knowledge in Germany that I.G. Farben is financing Hitler. There seems to be no doubt whatever that at least Dr. Schmitz is personally a large contributor to the Nazi Party."

## **The Plot Against Roosevelt**

The same networks which put Hitler in power and today support the anti-Roosevelt Cheney-Bush Administration, in early 1934 plotted to overthrow President Roosevelt in a military coup d'état. Simultaneous with the rise of Hitler in Germany, the du Ponts began to finance the American Liberty League and Clark's Crusaders, which had 1,250,000 members in 1933. Pierre, Irene, and Lamot du Pont and John Jacob Raskob, the former head of the Democratic National Committee funded the Liberty League, along with Alfred P. Sloan of General Motors. Irene du Pont and William S. Knudsen, General Motors' president, along with friends of the Morgan Bank, financed a coup with the aid of a \$3 million-funded army of terrorists modelled on the French Croix de Feu. The arms and munitions necessary would have been supplied by Remington, a DuPont subsidiary. The plot had found support from Hermann Schmitz, Baron von Schröder, and other Nazis.

However, Gen. Smedley Butler of Pennsylvania, whom they attempted to recruit to lead the coup, was so horrified by it that he exposed it to the authorities. Butler was on the record as saying: "War was largely a matter of money. Bankers lend money to foreign countries and when they cannot repay, the President sends marines to get it. I know—I've been in eleven of these expeditions." In 1934, the Senate Munitions Investigating Committee confirmed Butler's "suspicions that big business—Standard Oil, United Fruit, the sugar trust, the big banks—had been behind most of the military interventions he had been ordered to lead."

Fortunately this coup was aborted. Given the level of pro-Nazi treason in the U.S. and Great Britain, if Roosevelt had



*Montagu Norman, the governor of the Bank of England, was the foremost representative of the Anglo-Dutch Liberal System of independent central banking, and oversaw the financing of Hitler's rise to power.*



*Britain's Lord Beaverbrook (William Maxwell Aitken), before the war, was an enthusiastic supporter of Hitler and Mussolini. After the Nazi attack on Britain, the Synarchist International wanted to replace Prime Minister Churchill with Beaverbrook or Sir Samuel Hoare.*

not survived this and other plots, fascism would most likely have been successful in World War II.

### **The Pro-Hitler British Faction**

In Great Britain, there was a powerful oligarchical faction which supported Hitler throughout the 1930s, and in 1940 advocated a negotiated peace with Hitler. The Link was a British organization of highly placed Nazi sympathizers. The leader of the pro-Nazi faction in Britain was Lord Halifax, the British Foreign Minister who would become ambassador to Washington. Among the leading pro-Nazis was also the Duke of Windsor. In the Summer of 1937, the Duke had met with Hitler's envoys Rudolf Hess and Martin Bormann at the Hotel Meurice in Paris; the Duke promised to help Hess contact the Duke of Hamilton, who had a direct link with Himmler and Kurt von Schröder, to the Schroder Bank and to the synarchist Banque Worms. Hess was determined to forge an alliance with Great Britain, which explains his dramatic landing at the Hamilton estate in 1941. Also among the rabid British supporters of Hitler was Montagu Norman, of the Bank of England and the BIS, and Lord McGowan.

Two other key members of this nest of pro-Nazis were Sir Samuel Hoare and Lord Beaverbrook. Hoare, as Secretary of State for Foreign Affairs in 1935, joined with Pierre Laval, Prime Minister of France, to endorse Mussolini's invasion of Ethiopia, in the Hoare-Laval Pact, for which Hoare was later forced to resign. However, he was then appointed Secretary of State for the Home Office by Nazi-appeaser Neville Chamberlain. When Winston Churchill came to power, he sent

Hoare to Madrid to be British Ambassador to Franco's Spain from May 1940 to July 1944.

Lord Beaverbrook accompanied Hoare to the negotiations with Laval over Mussolini's invasion of Ethiopia, and supported the pro-Nazi King Edward VIII (the former Duke of Windsor), during the abdication crisis. In 1935, Beaverbrook himself met with both Hitler and Mussolini, and in 1936 was the guest of Hitler's Foreign Minister, Joachim von Ribbentrop, at the Munich Olympic games. Beaverbrook's trusted aide, Sefton Delmer, who was in charge of Beaverbrook's *Daily Express* bureau in Berlin, was a confidant of Hitler, and in his coverage of the Reichstag Fire gave credence to the Nazi version of events which led to Hitler's consolidation of power.

The only thing which prevented a negotiated peace between the Nazis and Great Britain, was the determination by Churchill not to allow the British Empire to be taken over by Hitler, even though Churchill himself had been a supporter of Mussolini. (Churchill's letters to Mussolini, written between 1927 and 1944, were used by Hitler's wartime commando Otto Skorzeny, to blackmail Churchill after the war into releasing a number of Nazis from British prisons.) Nonetheless, it was Churchill's determination to preserve the British Empire which laid the basis for the successful U.S.-British alliance to prosecute the war against the Axis powers.



*Sir Samuel Hoare, who had endorsed Mussolini's invasion of Ethiopia in 1935, then served as British Ambassador to Franco's Spain during the war. He was a key operative of the Synarchist International.*

## The Preparation for World War II

After Hitler's consolidation of power in 1933, the U.S. and British branches of the German-centered cartels continued to consolidate their partnership, even as the German branches, particularly I.G. Farben, began to prepare for aggressive war.

For example, in 1936 the J. Henry Schroder Bank of New York entered into a partnership with the Rockefellers, forming Schroder, Rockefeller and Co., Investment Bankers, whose partners included Avery Rockefeller, nephew of John D. Rockefeller; Baron Bruno von Schroder in London; and Kurt von Schröder of the BIS and the Gestapo in Cologne. Their lawyers were John Foster Dulles and Allen Dulles of Sullivan and Cromwell.

Sosthenes Behn, the American International Telephone and Telegraph (ITT) chief, and Gerhardt Westrick, the head of ITT in Germany and an associate of John Foster Dulles, appointed both Walter Schellenberg, head of the Gestapo's counterintelligence service (SD) and Baron Kurt von Schröder to the board of directors, to ensure the company's continuing existence in Germany during the upcoming war.

At the same time, the chairman of the Rockefellers' Stan-

dard Oil of New Jersey, Walter C. Teagle, became director of American I.G. (Farben) Chemical Corp. Other members of the board of directors included: Edsel Ford, president of the Ford Motor Co.; Charles E. Mitchell, president of Rockefeller's National City Bank of New York; Paul Warburg, chairman of the Federal Reserve Bank; and Herman Metz, a director of the Bank of Manhattan.

While these relationships continued to expand, I.G. Farben was in the process of becoming totally integrated with the Nazi war-making machine, which it in large part directed. In fact, after the war, as reported in Josiah E. DuBois, Jr.'s book *The Devil's Chemists*, 24 executives of I.G. Farben were put on trial in Nuremberg on charges of "preparing and waging aggressive war" and "conspiracy to wage aggressive war." However, by the time the trial concluded on May 28, 1948, the political atmosphere of the anti-communist Cold War resulted only in a number of convictions on the charges of "slave labor" and "plundering," but acquittal on the charge of preparing and waging aggressive war. The same climate was also to sabotage the efforts to dismantle the cartels after the war. In fact during the trial, DuBois himself was attacked by Congressman Dondero as a "known left-winger from the Treasury Department who had been a close student of the Communist Party line."

It is absolutely clear that Hitler could not have launched his aggressive war in September 1939, had it not been for I.G. Farben and the economic warfare it carried out on behalf of the war mobilization. Lacking raw materials, as Schacht had emphasized in his 1930 speech before the Foreign Policy Association in New York City, Nazi Germany needed to create synthetic materials to run its war machine. Two examples demonstrate the point.

First, although Nazi Germany would continue to receive oil from I.G. Farben's cartel partner Standard Oil during the war, through shipments from Ibero-America via Franco's Spain, the I.G. Farben-developed "Leuna" hydrogenation process, to produce gasoline from coal, was crucial to fuel the tanks. In 1934, about 85% of German finished petroleum products were imported. Without synthetic gasoline, the Nazis could not have engaged in modern mechanized warfare. The hydrogenation process was developed and financed by the Standard Oil laboratories in the United States, in partnership with I.G. Farben, as part of the 1929 cartel agreement.

And second, without synthetic rubber produced through the Buna process pioneered by I.G. Farben, Nazi vehicles would not have had tires. Before World War II, Standard Oil had agreed with I.G. Farben, in the Joint American Study Corp. (Jasco) agreement, that synthetic rubber was within Farben's sphere of influence, while Standard Oil was to have an absolute monopoly in the United States only if and when Farben allowed development of synthetic rubber to take place there. But in 1936, the Nazi government issued an order prohibiting giving the know-how for the processing and manufacture of buna rubber to anyone in the United States. As a

result of this measure of economic warfare, synthetic rubber was not developed in the United States prior to the war.

In 1938, Standard provided I.G. Farben with its new butyl rubber process, while keeping the German buna process secret within the United States. It was only in June 1940 that Firestone and U.S. Rubber were allowed to participate in testing butyl and were granted buna manufacturing licenses.

In 1937, Schmitz, Krauch and von Knieriem of I.G. Farben travelled to London where they successfully negotiated the purchase of \$20 million worth of aviation gasoline from Standard Oil, for Göring's Luftwaffe.

In addition, Standard provided I.G. Farben plans for the production of tetraethyl-lead, an indispensable component of aviation gasoline, and at the urging of Standard Oil, the War Department in Washington granted a license to produce it in Germany, at a plant owned jointly by I.G., General Motors, and Standard subsidiaries.

In 1938, the Luftwaffe had an urgent requirement for 500 tons of tetraethyl lead, which was "loaned" by the Ethyl Export Corp. of New York. The collateral security for the transaction was arranged through Brown Brothers, Harriman, in a letter dated Sept. 21, 1938.

By the time of the Japanese attack on Pearl Harbor on Dec. 7, 1941, Farben had succeeded in gathering, through its U.S. connections, 80% of all magnesium production in the Western Hemisphere. The I.G. Farben arrangement with the Aluminum Co. of America and the Dow Chemical Co. limited production within the United States, and also fixed it so that all quantity exports from the U.S. went only to Germany.

### **I.G. Farben's Role in Aggressive War**

After Hitler came to power in 1933, I.G. Farben developed its own independent international intelligence operation, which operated out of an office at North West 7 in Berlin. This office was originally set up by Farben's president, Hermann Schmitz, in 1927. Then in 1929 he turned it over to his nephew, Max Ilgner, another Farben director. Soon afterwards, Max Ilgner went to the United States to set up American I.G. Chemical Corp. In 1934, he sent his brother Rudolf Ilgner to the United States, where he worked under Herman Schmitz's brother Dietrich, at American I.G.'s successor corporation, General Aniline and Film Corp. Schmitz had legally changed the name in the mid-'30s to dodge an investigation by the U.S. government.

One example of how N.W. 7 worked against the United States, occurred prior to the U.S. entry into the war. Having heard that Washington wanted to film its military installations in the Panama Canal Zone and in Alaska, General Aniline and Film offered to provide the film and cameras for free. Afterwards, the originals of photos were processed and shipped directly to Berlin. Copies were provided to the American government.

Also located at N.W. 7 in Berlin was an agency set up in 1935 by Hermann Göring called the Vermittlungstelle

Wehrmacht (Army Liaison), which was headed by Carl Krauch, the chairman of the supervisory board of directors of I.G. Farben. When Krauch moved on to work directly under Göring, he was replaced by Fritz ter Meer as head of the Vermittlungstelle Wehrmacht. Ter Meer was chief of the technical committee of I.G. Farben's managing board of directors and a member of the board of General Aniline and Film in Binghamton, New York. By 1937 every I.G. plant had a confidential representative working in the Vermittlungstelle Wehrmacht.

After the war, when asked about this office, von Schnitzler of I.G. Farben answered: "For twelve years the Nazi foreign policy and the I.G. foreign policy were largely inseparable. I also conclude that I.G. was largely responsible for Hitler's foreign policy."

In the case of Spain, DuBois reports that investigators uncovered records showing that Farben had backed Franco with huge sums. When they asked von Schnitzler about it, he responded, "It is not so improbable that we should foster interior movements in foreign countries."

In 1934, Hitler had appointed Gen. Wilhelm von Faupel as chief of the Ibero-American Institute of Berlin. Von Faupel was known as the "I.G. General" because he counted among his patrons George von Schnitzler, as well as Fritz Thyssen, Baron Kurt von Schröder, and Franz von Papen. During the Spanish Civil War, Hitler and Mussolini gave direct military support to Franco, and Hitler named von Faupel as Ambassador to Franco's insurgent government. With Franco's consolidation of power, von Faupel used the Spanish Falange to penetrate Ibero-America on behalf of I.G. Farben and the Nazis.

In several cases, as reported by DuBois, the I.G. Farben economic hit men used the threat of Nazi jackals to take over the chemical industry of another nation. This occurred in Austria, where two years before the Anschluss, Farben used the threat of Nazi invasion to take over all the chemical and explosives industries.

As for Czechoslovakia, before the Munich Pact, the Nazis had robbed part of the country's chemical industry and had halted all shipments of arms to Czechoslovakia's Sudetenland. And even before then, von Schnitzler had prepared a monograph on the structure of Prager Verein—a Czech chemical company located in the Sudetenland, with headquarters in Prague—and a plan for Farben to seize its plants if and when Hitler marched. In robbing Prager Verein, Farben first robbed the Belgian interests of their share, then stopped all arms shipments to Belgium.

On July 28, 1939, one month before the invasion of Poland, the Farben-operated Vermittlungstelle Wehrmacht in Berlin presented the German government with a long-prepared survey of the Polish chemical industries, called "The Most Important Chemical Plants in Poland." This was a blueprint for the Farben takeover which followed the invasion.

Farben had also prepared a document called "The New



*The Auschwitz concentration camp in Nazi-occupied Poland, with the infamous slogan “Work Makes You Free.” The camp was from the beginning an I.G. Farben operation, producing synthetic rubber and gasoline for the war effort.*

Order for France.” One of the Farben directors reported that the company’s Board of Directors “considered France not only a model for the plans in countries which will follow shortly, but a classic example of large-scale area planning.” What Farben planned was control over all patents, in order to control the economy of the whole continent. The idea was that *all countries* should be forced to register their patents with the Central Patent Agency run by Farben.

When Hitler rejected Farben’s “New Order for France,” Farben met with the leaders of the dyestuffs industry in France privately in November 1940, and demanded a clear-cut majority of 51% of all the companies. Although no agreement was reached at that time, by the next year the French companies succumbed to the Farben threats and agreed to create a new combine, Francolor, whose administrators included von Schnitzler and Ter Meer. Through Francolor, Farben gained exclusive licenses to 259 foreign patents and 53 patent applications. At a sales price of “nothing,” Farben now controlled a new combine valued at 800 million francs. Farben then proceeded to take over the French pharmaceutical monopoly.

In each of these cases, Farben, which itself organized the Nazi war mobilization, used the threat of Nazi invasion or, when that failed, actual invasion, to carry out its objective of plundering the economy of the targetted nation and the creation of a Farben-controlled “globalized” economy.

### **Auschwitz: The I.G. Farben Solution to the Raw Materials Problem**

The Auschwitz concentration camp was from the beginning an I.G. Farben concern. As indicated above, Germany could not have gone to war unless it had the ability to produce

synthetic rubber and gasoline. In less than four years before the start of World War II in September 1939 with the Nazi invasion of Poland, buna rubber had transformed the German market from one which imported 95% of all its rubber, to one which imported only 7%. By 1936, the first two buna plants had been built. Auschwitz was the third important one.

Auschwitz was to be the “buna plant to the east.” The name Auschwitz did not yet exist, except as the German translation for a little Polish agricultural town called Oswiecim in Upper Silesia, which had been picked out by Farben for this purpose even before the invasion of Poland. The location had been selected because the buna plant would require a million tons of hard coal, and Oswiecim was on the southern border of the Silesian coal fields. It would also need water, and three rivers united at Oswiecim.

The plan for Auschwitz involved four presuppositions: 1) the need for a buna plant in the east presupposed an aggressive war against the Soviet Union; 2) its location in the east, rather than in the west near the other plants, presupposed a war with the west, which would make western plants more susceptible to attack; 3) it presupposed the invasion of Poland in order to construct the plant; and 4) since there were not even 15,000 farmers in the area, the labor requirements for the plant presupposed the construction of a concentration camp for slave labor.

In 1937, I.G. Farben had also taken into consideration the economic advantages of joining buna rubber and Leuna fuels (hydrogenation) into one huge operation. When Auschwitz was selected as the site for the buna plant, Farben decided to locate a Leuna plant at the same site. A month later, an order came from Göring approving Farben’s employment of the

inmates at what would eventually be four concentration camps at Auschwitz, in the vicinity of the buna and Leuna factories. I.G. Farben also ran the mines that provided 2 million tons of coal that were needed every year for both factories.

All the details on the inmates who worked for Farben were kept, not by the camp authorities, but by Farben itself. The records showed that Auschwitz Camp I—built in 1940 to house only 26,000—housed 40,000 in 1941, as ground was being broken on the buna site. Between 1941 and 1943, more than 2 million inmates passed through Auschwitz Camp I, hundreds of thousands because of Farben's labor demands. To the gas chambers during that period—which did not include the year of greatest turnover, 1944—went 100,000 Farben workers. On the buna site, not including the Leuna installation, from Camp I alone Farben employed more than 300,000 slaves—though not at one time. Some 200,000 died on the job. Farben records for Camps II and III were not to be found. Camp IV, which was called "Monowitz," was known as "Farben's concentration camp." Built for 5,000 workers, it held as many as 20,000 at one time.

The conditions in the Farben-run factories were worse than in the camps. "Prisoners were condemned to burn out their own body weight by working," said a Czech physician. Even the SS complained about the treatment of the inmates by the Farben employees. Before the construction of the plants was completed, nine out of ten punishments were meted out by Farben employees. From the beginning there was a direct relationship between the production requirements set by Farben and the treatment of the inmates.

At the end of February 1943, a modern crematorium was inaugurated at Auschwitz. The Zyklon B gas which was used to gas the concentration camp victims to death was invented by I.G. Farbenindustrie, which had an absolute world monopoly of its sale by 1934. Every can of Zyklon B that went to Auschwitz was produced by I.G. Farben.

## Trading With the Enemy

During the war, the Rockefellers' Chase National Bank kept its offices open in Nazi-occupied France, handling the accounts of the Nazi Ambassador, Otto Abetz, who funded the Revolutionary Synarchist Movement (Mouvement Synarchique Revolutionnaire), which liquidated anti-Nazi cells in Paris. This movement, like the National Synarchist Union of Mexico, which was founded in 1937 by the Nazis, explicitly contained the name synarchism in its title. However, all of the fascist movements from the early 1920s through 1945, including the Nazis, were synarchist creations of the international financial oligarchy. (See box.)

Chase also handled the transactions of the Nazi Banco Alemán Transatlántico, which was the comptroller of the Nazi Party in Ibero-America. On April 17, 1945, Chase National Bank of New York was placed on trial in Federal court on charges of having violated the Trading With the Enemy

Act, for not having frozen the Smit diamond accounts.

The case involved Leonard Smit, a prominent diamond merchant in New York City, who in May 1940 began smuggling commercial and industrial diamonds to Nazi Germany through Panama. Roosevelt had issued orders freezing his accounts, but a few days later, Chase officials unblocked the funds at Smit's request, allowing the diamonds to be sent from the Canal Zone to Berlin.

Chase was acquitted; the fact that it had continued its activities in Nazi-occupied France during the entire war was not made public.

We have already documented how I.G. Farben utilized its relationship to Standard Oil before the war to weaken the United States and to strengthen the Nazi war machine. During the war, Standard Oil of New Jersey continued to supply oil to the Nazis, through shipments to fascist Spain, paid for by Franco funds that had been unblocked by the Federal Reserve Bank.

Secretary of State Cordell Hull, who would later denounce Argentina for collaborating with the Nazis, in 1943 covered up for Standard Oil by declaring that oil being shipped to Spain came from the Caribbean and not from the United States, and was hauled by Spanish tankers.

On Feb. 27, 1942, Thurman Arnold, chief of the U.S. Anti-Trust Division, confronted William Farish, president of Standard Oil. Arnold charged that "by continuing to favor Hitler in the rubber deal and patent arrangements," Standard Oil "had acted against the interests of the American government." He suggested "a fine of \$1.5 million and a consent decree, whereby Standard would turn over for the duration all the patents" in question. When Farish refused, charges of criminal conspiracy with the enemy were filed in Newark, New Jersey. However, they were later dropped, in return for Standard releasing its patents and paying a modest fine. Farish had to pay a paltry fine of \$1,000.

On July 13, 1944, as the war was raging, Standard Oil of New Jersey sued the U.S. government for having seized the synthetic rubber patents. On Nov. 7, 1945, Judge Charles E. Wyzanski decided in favor of the government. An appeal was denied, when on Sept. 22, 1947, Judge Charles Clark made the following declaration: "Standard Oil can be considered an enemy national in view of its relationships with I.G. Farben after the United States and Germany had become active enemies."

Throughout World War II, the American International Telephone and Telegraph (ITT) corporation remained in a partnership with the Nazi government. The German branch of ITT, of which John Foster Dulles's law partner Gerhardt Westrich was chairman, provided the German Army, Navy, and Air Force with telephones, air raid warning devices, radar equipment, fuses for artillery shells, etc.

ITT also handled traffic between Ibero-American countries and the Axis nations. CIDRA, ITT's Argentine subsidiary, handled calls to Buenos Aires, Germany, Hungary, and

## What Is Synarchism?

“Synarchism” is a name adopted during the Twentieth Century for an occult freemasonic sect, known as the Martinists, based on worship of the tradition of the Emperor Napoleon Bonaparte. During the interval from the early 1920s through 1945, it was officially classed by U.S.A. and other nations’ intelligence services under the file name of “Synarchism: Nazi/Communist,” so defined because of its deploying simultaneously both ostensibly opposing pro-communist and extreme right-wing forces for encirclement of a targeted government. Twentieth-Century and later fascist movements, like most terrorist movements, are all Synarchist creations.

Synarchism was the central feature of the organization of the fascist governments of Italy, Germany, Spain, and Vichy and Laval France, during that period, and was also spread as a Spanish channel of the Nazi Party, through Mexico, throughout Central and South America. The PAN party of Mexico was born as an outgrowth of this infiltration. It is typified by the followers of the late Leo Strauss and Alexandre Kojève today.

This occult freemasonic conspiracy, is found among both nominally left-wing and also extreme right-wing factions such as the editorial board of the *Wall Street Journal*, the Mont Pelerin Society, and American Enterprise Institute and Hudson Institute, and the so-called integrist far right inside the Catholic clergy. The underlying authority behind these cults is a contemporary network of private banks of that medieval Venetian model known as *fondi*. The Synarchist Banque Worms conspiracy of the wartime 1940s, is merely typical of the role of such banking interests operating behind sundry fascist governments of that period.

The Synarchists originated in fact among the immediate circles of Napoleon Bonaparte; veteran officers of Napoleon’s campaigns spread the cult’s practice around the world. G.W.F. Hegel, a passionate admirer of Bonaparte’s image as Emperor, was the first to supply a fascist historical doctrine of the state. Nietzsche’s writings supplied Hegel’s theory the added doctrine of the beast-man-created Dionysiac terror of Twentieth-Century fascist movements and regimes. The most notable fascist ideologues of post-World War II academia are Chicago University’s Leo Strauss, who was the inspiration of today’s U.S. neo-conservative ideologues, and Strauss’s Paris co-thinker Alexandre Kojève.—*Lyndon H. LaRouche, Jr.*

Romania. Another ITT subsidiary, the United River Plate Telephone Co., handled 622 telephone calls between Argentina and Berlin in the first seven months of 1942 alone. Brazil and Peru were supervised from Argentina, since Argentina had not declared war on the Axis.

ITT, RCA, British Cable and Wireless, the Nazi company Telefunken, the Mussolini government’s Italcable, and Vichy France’s Compagnie Générale had a share in TTP (Telegráfica y Telefónica del Plata), an Axis-controlled company providing telegraph and telephone service between Buenos Aires and Montevideo, Uruguay. Nazis in Montevideo could telephone Buenos Aires through TTP without coming under control of either the state-owned system in Uruguay or the ITT system in Argentina.

Messages were transmitted directly to Berlin and Rome by Transradio, the board of which was a mixture of German Nazi, Italian Fascist, and Allied members. The president of the board in Buenos Aires, Ernesto Aguirre, was also on the board of the Nazi branch of General Electric, as well as of Italian, Japanese, and German companies. This situation meant that many messages could not be sent to Allied capitals by U.S. embassies or consulates without going through Axis hands first!

During the war, the Swedish-based ball-bearing trust,

Swedish Enskilda Bank (SKF), shipped ball bearings needed by the Allied war effort to Ibero-American Nazi-associated firms. One of the directors of the U.S. branch of SKF in Philadelphia was Göring’s second cousin by marriage, Hugo von Rosen. The ball bearings travelled from American ports on Panamanian-registered vessels to South American ports, then were reshipped via Spain, Portugal, and Switzerland. In 1943, when Germany began to run short of ball bearings, von Rosen arranged for reshipment from Rio de Janeiro and Buenos Aires via Sweden.

Henry Ford was also an early supporter of Hitler. His book *The International Jew* was released in 1927, and distributed widely in Ibero-America. He was one of the few people praised in Hitler’s *Mein Kampf*, and sent Hitler 50,000 Reichsmarks a year. Ford, like James D. Mooney of General Motors, received the order of the Golden Eagle in 1938 from Hitler. Carl Krauch, the chairman of I.G. Farben’s supervisory board of directors and the first head of the Vermittlungstelle Wehrmacht (Farben’s Army Liaison Office) was the director of the Ford Motor Co. of Germany.

In April 1943, a U.S. government investigation into the Ford subsidiaries in France concluded that “their production is solely for the benefit of Germany and the countries under its occupation.” Moreover, “the increased activity of the French

Ford subsidiaries on behalf of Germans receives the commendation of the Ford family in America.”

### **The Banque Worms and Synarchism**

Despite their pre-war activities, in 1940, it became clear to many of those in the financial oligarchy who had helped bring Hitler to power, that he had become a Frankenstein’s monster, who was jeopardizing their plans for a globalized financial empire, inclusive of Anglo-Saxon interests. This grouping, centered in the Banque Worms, wanted to conclude the war quickly by eliminating Hitler and his Gestapo in Germany, and by replacing Prime Minister Winston Churchill with Lord Beaverbrook and Sir Samuel Hoare in Great Britain.

The objective of this grouping, which was essentially to create a form of universal fascism without Hitler, was to become the operative principle of the Synarchist International after the war. Their gameplan was clearly enunciated in a declassified U.S. intelligence document from 1940, entitled “‘Synarchie’ and the policy of the Banque Worms group.” It should be noted that after the war, the economic aide to Brig. Gen. William H. Draper, who sabotaged decartelization, was Alexander Kreuter, who worked at Banque Worms.

The document reports that “the reactionary movement known as ‘Synarchie’ has been in existence in France for nearly a century. Its aim has always been to carry out a bloodless revolution, inspired by the upper classes, aimed at producing a form of government by ‘technicians’ (the founder of the movement was a ‘polytechnician’), under which home and foreign policy would be subordinated to international economy.

“The aims of the Banque Worms group are the same as those of ‘Synarchie,’ and the leaders of the two groups are, in most cases identical.”

The intelligence report continues that the continental program of the synarchist Banque Worms group was “to check any new social schemes which might tend to weaken the power of the international financiers and industrialists” and “to work for the ultimate complete control of all industry by international finance and industry.”

The Worms group also “intended to take advantage of Franco-German collaboration to conclude a series of agreements with German industries, thereby establishing a solid community of interests between French and German industrialists, which will tend to strengthen the hands of international finance and industry. It is hoped that the Franco-German ‘bloc,’ thus created, will be in a position: a) to effect a fusion with Anglo-Saxon industry after the war; b) to neutralize any attempt to extend Socialism under the Hitler program; and c) to prevent the development of any European customs union excluding Anglo-Saxon interests.”

According to the report, “there is reason to believe that both Göring and Dr. Funk are in sympathy with these aspira-

tions. It is alleged that certain industrial circles in Great Britain are also in sympathy with the movement. Some headway is claimed to have been made in securing the adhesion of big U.S. industry to the movement.”

The Worms group desires “a speedy conclusion to the war, the continuation of which they believe could only lead to the ruin of the heavy industrial interests.” In regard to Great Britain, their aims are “to bring about the fall of the Churchill government” and “to bring about the formation of a new government including Sir Samuel Hoare, Lord Beaverbrook and Mr. Hore-Belisha.” Through Hoare, they want “to bring about an agreement between British industry and the Franco-German ‘bloc,’ ” and “to protect Anglo-Saxon interests on the continent.”

Their policy toward Germany is “to eliminate Hitler, Goebbels and Himmler with his Gestapo and thus facilitate the formation of an Anglo-Franco-German economic bloc.”

### **Operation Sunrise and the Cold War**

With the death of U.S. President Franklin Roosevelt in 1945, as the war came to a conclusion in Europe, the post-war synarchist objective of forming a globalized economic bloc was immediately put into effect. The first step was to break up the wartime alliance with the Soviet Union and to form an anti-communist bloc, incorporating elements of the Nazi machine.

Almost immediately after Roosevelt’s death, Operation Sunrise was concluded: a negotiated surrender of German forces in Northern Italy, conducted between Allen Dulles and SS Gen. Karl Wolff. This began the process of building a Cold War bridge between Nazi anti-communism and Anglo-American anti-communism.

As we have seen, prior to the war, both Allen Dulles and John Foster Dulles of Sullivan and Cromwell law firm were lawyers for the core of the Nazi-Anglo-American cartels. Allen Dulles was actually a board member of Schroder, Rockefeller and Co. So it should come as no surprise that he, as the Office of Strategic Services (OSS) chief in Bern, Switzerland during the war, would negotiate the surrender of German forces in Northern Italy with SS Gen. Karl Wolff, the SS and police chief of Northern Italy, on May 2, 1945, just five days before the general surrender at Rheims.

Dulles would later be made deputy chief of the CIA under Truman in 1950, and then head of the CIA under Eisenhower in 1953. His brother, John Foster Dulles, would become Secretary of State under Eisenhower. Allen Dulles’s assistant in the Operation Sunrise negotiations, James Jesus Angleton, would follow him into the CIA, while Gen. Lyman Lemnitzer, who collaborated with Dulles in the Sunrise negotiations, would later become commander of NATO forces and chairman of the U.S. Joint Chiefs of Staff.

For his part, Dulles clearly saw the negotiations as a step in the direction of building a post-war anti-Soviet alliance





*Allen Dulles, a leading synarchist supporter of the Nazis and Fascists before the war, built the post-war bridge between Nazi anti-communism and Anglo-American anti-communism, helping set up the "rat-lines" to let Nazi figures escape prosecution for war crimes.*

with those elements of the Nazi Party and SS who could be "salvaged." For this reason, he wanted to exclude the Soviet Union from any participation in the surrender negotiations. When the Soviets heard about this, they demanded that the negotiations be broken off, if they were not to be included. Averell Harriman, who was the U.S. Ambassador in Moscow at the time, backed Dulles up by maintaining that there was "no justification" for Soviet participation. In a letter to Roosevelt, Stalin alleged "that the initiative in this whole affair . . . in Bern belongs to the British."

In Italy itself, Dulles was concerned to prevent Communist-controlled elements of the Italian anti-Fascist partisan resistance from taking power, in the context of the chaos which might ensue after a Nazi military retreat. After the war, this concern would result in the organization of fascist "stay behind" units, under the aegis of Operation Gladio.

On Wolff's part, it is clear that he hoped that the negotiations would result in a rift between the Anglo-Americans and the Soviets. Some of his collaborators even hoped that they would be able to "return to the Reich, and together with the Anglo-American units continue the fight against Russia." Wolff was more realistic; he knew this was not possible, but he hoped to extract guarantees from Dulles that the "idealistic" and "decent" men of the Nazi Party and SS, including himself naturally, would be protected and allowed to play an "active part in the reconstruction."

Throughout the negotiations and even afterward, Wolff remained a dyed-in-the-wool Nazi, who in discussions with Allied officers referred to Poles, for example, as "Slavonic mongols." At one point he told two of his SS subordinates: "We'll get our Reich back again. The others will begin to fight amongst themselves eventually and then we'll be in the middle and can play off one against the other." Although Dulles would describe him as a "distinctive" and "dynamic"

personality, not all of the negotiators were so impressed. Britain's Gen. Terence Airey was clearly repulsed by Wolff's "three chins and fat fingers with diamond rings."

Initially, Wolff was protected by Dulles, Lemnitzer, and others. With their help, he narrowly missed being included among the defendants at Nuremberg. In 1949, he was prosecuted by the British in a trial in Hamburg, but was acquitted after receiving affidavits from Dulles and Lemnitzer on his behalf. However, in 1962, after the Adolf Eichmann trial in Israel, the West German government put him on trial for planning the extermination of Jews during his years as Himmler's adjutant and SS liaison officer at Hitler's headquarters. In 1942, he had written a letter expressing his "special joy that now five thousand members of the Chosen People are going to Treblinka every day." This time, he was found guilty.

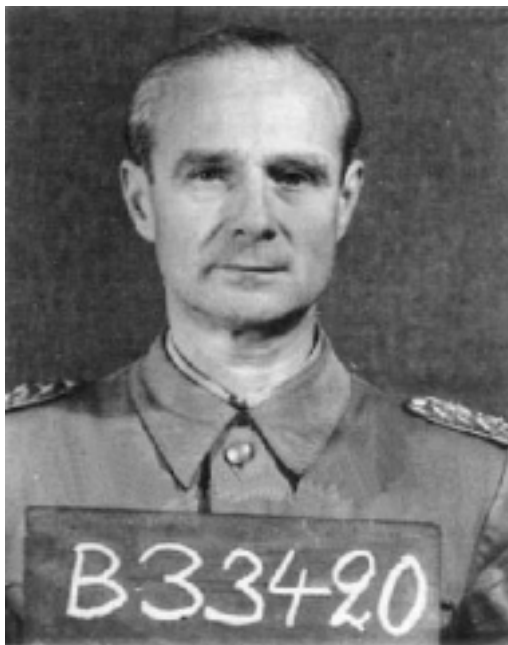
The attempt to protect Wolff was merely part of a much broader post-war operation to protect and coopt some Nazis to participate in the reconstruction of Germany, under conditions of the emerging Cold War, while at the same time helping others to escape Germany through the Nazi "rat-lines." Indeed, some Nazi war criminals were tried at Nuremberg and elsewhere. But under the leadership of Allen Dulles and James Jesus Angleton, other Nazis and Nazi-collaborators were helped to escape through Italy and Franco's Spain to Ibero-America and Southwest Asia. This operation was coordinated by Dulles and Angleton, with corrupt elements of the Catholic Church in Italy. Those who escaped to Ibero-America went there via Argentina, which, under Juan and Evita Perón, became a haven and transit point for thousands of Nazi war criminals, until Peron shut down the operation in 1949-50.

There were at least three other spinoffs of Operation Sunrise. The first was a covert operation called Operation Amadeus, to fund the flight of SS and Nazi war criminals to Ibero-America through the drug trade. Large stocks of SS morphine were smuggled to Ibero-America for this purpose.

Counterfeit British banknotes, forged in a second covert operation called Operation Bernhardt, were also used to fund the rat-lines.

And thirdly, at the same time as thousands of Nazis were smuggled into Ibero-America, others were organized into "stay behind" units under the aegis of Operation Gladio.

Three of the key Nazis who were protected after the war to become Western assets in the Cold War against the Soviet Union were Reinhard Gehlen, Hjalmar Schacht, and Hitler's commando, Otto Skorzeny, who was married to Schacht's niece. Gehlen, the former general in command of Nazi intelligence on the Eastern Front, was recruited by Dulles to work with the CIA after the war, until 1956 when he became chief intelligence officer for the new West German government. After the war, Schacht played a crucial role in protecting the assets of Nazi industrialists, and Skorzeny was key in running the Nazi "rat-lines."



*SS Gen. Karl Wolff with Benito Mussolini. On the right is Wolff as an Allied prisoner of war, after the defeat of the Nazis. Wolff was initially protected by Allen Dulles, as part of Operation Sunrise. But in 1962, the West German government convicted him on charges of extermination of the Jews.*

### **Sabotage of the Decartelization Program**

While Dulles organized the rat-lines to protect Nazi assets, all efforts after the war to dismantle the BIS and to carry out decartelization were thwarted, despite Roosevelt's clearly stated intention, in his letter to Cordell Hull of Sept. 8, 1944 cited above, to dismantle the I.G. Farben and other cartels, in order to eradicate the "weapons of economic warfare" employed by the Nazis.

In April 1945, the U.S. Joint Chiefs of Staff had issued a directive, JCS 1067, which said: "You will prohibit all cartels or other private business arrangements and cartel-like organizations. . . ." Also the Aug. 2, 1945 Potsdam Agreement among the United States, Britain, and the Soviet Union, had stated that "at the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements."

However, Roosevelt's intention, as reflected in these two documents, was deliberately thwarted. The man in charge of the Economics Division of the U.S. Army in Germany after the war was Brig. Gen. William H. Draper, who as a vice president of Dillon, Read & Co. had financed Germany after World War I. Draper's economic aide, Alexander Kreuter, worked at Banque Worms. Averell Harriman, of Brown Brothers, Harriman, succeeded Jesse Jones as Secretary of Commerce.

In 1950, James Stewart Martin, who during the war had been chief of the Economic Warfare Section of the Department of Justice and after the war was assigned to work in the Decartelization Branch of Military Government, documented

in his book *All Honorable Men*, how the decartelization process mandated by Roosevelt was sabotaged.

The staffing of the Decartelization Branch of the occupation military government when Martin arrived to carry out his assignment, makes clear what the problem was. The director of the Economics Division was Col. Graeme K. Howard, the author of a book written in 1940 called *America and a New World Order*, which was an apology for the Nazi economic system. Howard was a vice president of General Motors and remained on the General Motors-Opel board, which operated in Nazi Germany during the war. He was replaced by Brig. Gen. William H. Draper, Jr., on military leave from his position as secretary-treasurer of Dillon, Read & Co. Others working under General Draper included Rufus Wisor, president of Republic Steel Corp., who was head of the Steel Section in the Industry Branch under Draper; and Frederick L. Devereux, retired vice president of an American Telephone & Telegraph subsidiary, who was Draper's deputy.

The main opposition to decartelization from the British side came from Sir Percy Mills. In 1939, Mills had represented the Federation of British Industries in a series of joint meetings at Düsseldorf with the Reichsgruppe Industrie, the Nazi organization responsible for mobilizing the German economy for war.

Martin's team was assigned to work in the Finance Division with Capt. Norbert A. Bogdan, who had been a vice president of the J. Henry Schroder Banking Corp. of New York.

Dillon, Read & Co. and J. Henry Schroder Banking Corp. are the two U.S. investment banking organizations which had handled the financing for rebuilding Germany after World

War I. Dillon, Read & Co. was responsible for floating the bonds in the United States for the United Steel Works. United Steel Works combined the four biggest steel producers in Germany, including Fritz Thyssen, one of the early financial backers of Hitler. Legal work on the Schroder Bank loans in the U.S. was handled by Sullivan & Cromwell, the firm headed by John Foster Dulles.

Throughout the war, Allen Dulles, a partner in Sullivan & Cromwell and until 1944 a director of the Schroder Bank in New York, headed the European Mission of the OSS in Switzerland; and V. Lada-Mocarski, vice president of the Schroder Bank, was a U.S. consul in Switzerland.

On Dec. 7, 1946, Philip D. Reed, chairman of the board of General Electric Co., which had suppressed tungsten carbide in favor of Krupp, and financed Hitler, arrived at Berlin on a mission for Averell Harriman, the Secretary of Commerce. His report to Harriman attacked the decartelization policy as the work of "extremists" from the Department of Justice.

On May 22, 1947 Martin resigned. His deputy, Phillips Hawkins, replaced him; Hawkins was engaged to General Draper's daughter. Martin was the third director of the decartelization program to withdraw. Colonel Bernstein and Russell Nixon, his predecessors, had also quit, after experiencing the same sabotage of the decartelization program.

By March 1948, Richard Bronson, the chief of the Decar-

telization Branch, proposed to exempt from reorganization all enterprises in the field of capital goods and heavy industry, and announced that approximately one-fourth of the staff would be laid off. When 19 members of the staff who opposed the shutdown of the decartelization effort were branded as "disloyal" employees, a note was placed in the personnel file of each of them, stating that no promotion, transfer, or other change of status was to be made without clearance from higher authority.

Also in 1948, the House Un-American Activities Committee destroyed the careers of two U.S. Treasury officials, Harry Dexter White and Lauchlin Currie, who were active in investigating the BIS, Standard Oil, Chase, ITT, SKF, Ford, General Motors, and the Morgans. They were both smeared as being Communist agents. Currie disappeared in Colombia, with his U.S. citizenship revoked in 1956, and White died of a heart attack on Aug. 16, 1948, aged 56, after returning home from an investigative session.

### The Post-War Beginnings of Globalization

Martin identifies the key U.S.-based companies behind the shut down of the decartelization program. It is a group drawn from the Morgan companies and their "pilot-fish," the bankers of the Harriman firm and the business-management specialists of Dillon, Read & Co. After the war, James V. Forrestal, former president of Dillon, Read and vice president of General Aniline and Film, moved from the position of Undersecretary of the Navy to Secretary of Defense. Robert A. Lovett, former partner in Brown Brothers, Harriman, moved from Assistant Secretary of War to Undersecretary of State. W. Averell Harriman became Secretary of Commerce after serving as Ambassador to Russia and Ambassador to England. He later became roving ambassador for the Marshall Plan. Draper himself had become Undersecretary of the Army in 1947; he resigned and went back to his job as vice president of Dillon, Read.

During World War II, the President of the BIS was an American, Thomas H. McKittrick, even though the Nazis controlled the bank! The Bretton Woods conference in July 1944 passed a resolution specifically barring from the IMF and the World Bank any nation which had not broken completely with the BIS. In May 1944, McKittrick had defended the BIS by saying: "We keep the machine ticking because when the armistice comes, the formerly hostile powers will need an efficient instrument such as the BIS." McKittrick remained BIS president for two more years after the Bretton Woods resolution. By 1948, the BIS became an agency for clearing foreign exchange transactions among countries participating in the European Recovery program. McKittrick by then had become a vice president of Chase National Bank. He was also for a time financial advisor to Averell Harriman, who was then the roving ambassador in Europe of the Economic Co-Operation Administration.

Hjalmar Schacht was acquitted at Nuremberg in 1946 of

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*Hjalmar Schacht, a free man in 1962. Although he had helped bring Hitler to power and had designed and implemented the fascist economic system that made the war possible, he was acquitted at Nuremberg, and his methods are still touted by "respectable" economists today.*

charges that he had participated in waging "aggressive war," despite the fact that he had helped bring Hitler to power and had designed and implemented the fascist economic system which made the war mobilization possible. In 1944, he had been implicated in the unsuccessful plot to assassinate Hitler, and was imprisoned for the rest of the war. Later he was tried and sentenced by a denazification court to eight years in a work camp, but in 1948 he was released after winning an appeal.

In an interview when he was still in prison in Stuttgart, Schacht said that if he were given three weeks, with access to his personal files and 30 or 40 sheets of paper, he could present a plan for post-war German recovery that would not cost the occupying powers a dollar. Although his plan was not immediately accepted by the occupying forces, Schacht was declared by the American military government in 1949 to be eligible for administrative posts in German agencies.

The man most responsible for the economic policies of brutal austerity, slave labor, and aggressive war was released and rehabilitated, because the Synarchist International intended to implement his "Schachtian" policies once again in the post-war period, once they were successful in eliminating the legacy of U.S. President Franklin Roosevelt.

As Martin points out, after the war, the threat was not that the cartels based in Germany would once again become a Nazi threat, but rather that they would become an instrument in the hands of the British and American financial groups. He then warns that should the United States run into serious economic difficulties, "most of the conditions for a re-enactment of the German drama would already exist on the American stage."

Before World War II, the largest 250 American industrial corporations controlled two-thirds of the industrial assets in

the United States, and the bulk of this was in the hands of the 100 largest. After the war, the 100 largest corporations, held by the same eight financial groups, instead of controlling two-thirds, controlled three-fourths of the U.S. industrial economy.

Martin writes that "just as the six largest financial corporations in Germany interlocked with the dominant industrial firms, so there are eight large financial units in the American economy which in recent years have assumed a comparable degree of power over here. These are: (1) the Morgan group, controlling, among many others, such headliners as United States Steel, General Electric, Kennecott Copper, American Telephone and Telegraph, International Telephone and Telegraph; (2) the Rockefeller interests, including the Standard Oil companies and the Chase National Bank; (3) the Kuhn, Loeb public utilities network; (4) the Mellon holdings, including the Aluminum Co., Gulf Oil, Koppers, Westinghouse Electric; (5) the Chicago group, including International Harvester and the Armour and Wilson packing houses; (6) the du Pont interests, including General Motors, E.I. du Pont de Nemours, and United States Rubber; (7) the Cleveland group, with Republic Steel, Goodyear and others; and (8) the Boston group, including United Fruit, Stone and Webster utilities and First National Bank of Boston."

Since 1950, when Martin wrote his book, there have been major shifts in the Anglo-American financial-corporate organization. This has particularly been the case, as the United States after 1971 began the shift from a producer to a consumer society. Nonetheless, his warning that fascism could occur in the U.S.A. under conditions of economic depression, and the identification of the Anglo-American networks which worked with the Nazis before and during World War II, and then protected the Nazis after the war, underscores the importance of John Perkins' book today, particularly as seen through the eyes of Lyndon LaRouche.

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## Shultz's Hit Man, Fischer, To Head Bank of Israel

by Steven Meyer and Dean Andromidas

Stanley Fischer, vice chairman of Citigroup, was named the eighth Governor of the Bank of Israel on Jan. 10. As Deputy Managing Director of the International Monetary Fund (IMF) from 1994 to 2001, Fischer oversaw the financial meltdowns in Asia, Russia, and Argentina, and his new appointment signals that the IMF considers a major financial blowout of the Israeli economy possible.

The nomination of Fischer, who is not an Israeli citizen and speaks only rudimentary Hebrew, to one of the most powerful positions in the Israeli government, was kept secret from the public, and from the Israeli political class, until after he accepted Jan. 9. There was good reason to keep the secret. Fischer is the protégé of former U.S. Secretary of State George Shultz and free-marketeer Milton Friedman, and had been one of the world's foremost "economic hit men" for more than two decades.

Fischer was also one of the chief architects of Israel's transition from a growing industrial economy, to one of the world's "model" radical free-market, neo-liberal economies. His appointment is aimed at saving Israeli Finance Minister Benjamin Netanyahu's economic reforms, in the face of a potential social explosion caused by the collapse of living standards Netanyahu's austerity measures have brought about, to the point that one in five Israelis is living in poverty, and one in five Israeli children goes to bed hungry.

### The Moral Equivalent of a Mercenary

Confirming that Fischer will be the enforcer of Netanyahu's reforms, Israeli commentator Hannah Kim wrote in the Israeli daily *Ha'aretz* Jan. 11: "Fischer is slated to be the policeman who will prevent political changes—if such do

take place in Israel—from affecting the economic policy that Netanyahu is orchestrating. He is the one who is supposed to continue to press ahead with the neo-liberal moves that will further reduce the remains of the Israeli welfare state. He represents those very same international markets about which Israeli politicians tend to say, 'The markets won't let us,' every time there's a proposal that would require a deviation from these draconian austerity policies.

"Fischer has received the second most important position in the economy, despite not having an Israeli public service record. He is, in fact, something of a mercenary, even if he really is 'a warm Jew,' as he has oft been described over the past few days. A mercenary is employed when the internal elements are no longer sure of their strength. . . ."

While agreeing that Fischer was a kind of "mercenary," Professor Danny Gutwein of Haifa University, who is an economic advisor to Amir Peretz, chairman of the Histadrut Labor Federation, told *EIR* that it is more appropriate to say Fischer will be the "high commissioner" of globalization to Israel—sort of a globalized equivalent to Great Britain's high commissioner in pre-1948 Palestine.

Gutwein said that naming Fischer is part of Netanyahu's determination to build a "Great Wall of China" around his economic reforms, because they are generating a social explosion that could bring down the Sharon government. Second, he said, Israel's economic reforms are being seen as a "global model," which the likes of Fischer, one of the high priests of globalization, are determined to see implemented.

In a recent interview with the Israeli press, Fischer praised Netanyahu's brutal policies: "The reforms are moving at the



*The new governor of the Bank of Israel, Stanley Fischer—who is not even an Israeli—is an economic hit man for the International Monetary Fund.*

appropriate speed. There are things that have been spoken about for 15 to 20 years . . . but things are beginning to move.” He added that “taxes in Israel are too high, the welfare system is too large and should be reduced, . . . other ways should be found to help the poor. . . .”

Netanyahu’s claim, in justification of the appointment, that Fischer is an “ardent Zionist,” did not go down well in the Knesset, the Israeli Parliament. Knesset Member Avraham Poraz, of the Shinui Party, declared, “To me an ardent Zionist is a man who immigrates to Israel, serves in the army, sends his children to the army, goes through all the wars here with us, and, when they attack us with Scuds, puts on a gas mask . . . I’m not interested in having a man like this in such a high position in Israel’s civil service. . . .”

Fischer will have to give up his U.S. citizenship for Israeli citizenship for his new position, which pays \$150,000 a year, a fraction of what he got at Citigroup.

### **George Shultz’s Hit Man**

Stanley Fischer is one of the world’s foremost economic hit men, thanks to former U.S. Secretary of State Goerge Shultz. Shultz is a chief architect of the current Bush Administration; his latest fascist project was to put the Austrian Nazi-lover Arnold Schwarzenegger into the Governor’s mansion in California.

Fischer was born and raised in white-supremacist Rhodesia, now called Zimbabwe, where, he told an interviewer, “The education system was British.”<sup>1</sup> He told the same interviewer that he earned his first university degree at the London School of Economics, because “for us, England was the center of the Universe.”

1. Interview with Russell Sage Foundation, Aug. 13, 2004. (<http://www.citigroup.com/citigroup/features/data/fischer040813.hm>)

Fischer went on to do his post-graduate studies at the Massachusetts Institute of Technology, and later at the University of Chicago’s infamous Chicago Business School, where, only a few years before, Shultz himself had been dean. It was here that Fischer attended Milton Friedman’s “money workshop,” the kindergarten of a generation of radical free-market ideologues and architects of today’s “globalized” international economy. On the other side of campus, one could find Professor Leo Strauss, the fascist philosopher who was the mentor of those who later became the Bush Administration’s “neocons,” such as Richard Perle and Paul Wolfowitz.

In the 1970s, Fischer was in Israel as visiting lecturer at the Hebrew University, but the “ardent Zionist” didn’t immigrate. He returned to MIT, because, unlike Israel, “MIT was such a wonderful place to be,” as he said in the 2004 Russell Sage Foundation interview.

In 1983, Shultz plucked Fischer from the ivory tower of academia to bring him into the world of the economic hit man. As Fischer said in the 2004 interview, “My real opportunity came in 1983 when George Shultz asked me to join an advisory group he was creating on the Israeli economy . . . that’s how I got into the policy game.” This group, including Shultz crony and “Chicago boy,” Herbert Stein, drafted the policies that would transform Israel’s “Labor Zionist economy” into a free-market economy under the control of the Anglo-American financial oligarchy.

### **Netanyahu: Another Shultz Hit Man**

Those reforms were so radical and brutal that, according to Fischer, Shultz was convinced they would be accepted only if seen as coming from Israelis themselves. So Shultz lent his patronage to an up-and-coming young Israeli right-winger, Benjamin Netanyahu, then spokesman at the Israeli Embassy in Washington.

In 1984, in support of his protégé, Shultz, still Secretary of State, attended the opening conference of the Jonathan Institute, an anti-terrorism think-tank created by Netanyahu’s family and named after Netanyahu’s brother, who died in the Israeli raid on Entebbe, Uganda. Netanyahu became a champion of Shultz and Fischer’s economic reforms.

Also in 1984, the Institute for Advanced Strategic and Political Studies was formed, with offices in Jerusalem and Washington. Its Division for Economic Policy Research continues to be the foremost center for radical free-market policies in Israel. In 1996, this institute presented Netanyahu, then Israeli Prime Minister, with the infamous policy paper, “A Clean Break: A New Strategy for Securing the Realm.” Drafted under the direction of Richard Perle and Doug Feith, this paper, five years later, would become the policy of the Bush Administration. “Clean Break” called for military attacks on Iraq, Syria, and Iran, and for creation of a new economic order based on the same radical free-market policies drafted by Fischer more than a decade earlier.

## Austerity in the Guise of ‘Stabilization’

The collapse of the Israeli economy in 1984, as a result of Ariel Sharon’s Lebanon War, presented Shultz and Fischer with the opportunity to ram these reforms down Israeli throats. Inflation was at 400%, the banking system had collapsed, and the country was in a political upheaval over the war. In 1984, Shimon Peres became Prime Minister and travelled to Washington to beg for \$1.5 billion in economic aid. In classic hit-man mode, Shultz offered Peres a deal he could not refuse: Implement the Chicago boys’ reforms, now called the “Economic Stabilization Plan,” and you will get your \$1.5 billion (in addition to the \$3 billion Israel got in military and economic aid).

To ensure that the reforms occurred, and became the foundation of U.S.-Israeli policy, Shultz created the Joint Israeli-U.S. Economics Development Group. Co-chaired by the U.S. Undersecretary of State for Economic Affairs and the Director General of Israel’s Ministry of Finance, it includes “economic experts” from both countries.

Peres returned to Israel and formed an economics team to launder the policies demanded by Shultz, and drafted by Fischer and Stein. Besides Israelis, this team included Michael Bruno, the Harvard University Professor of Economics who was the mentor of Jeffrey “shock therapy” Sachs. It also included Jacob Frenkel, who had befriended Fischer when both were at Chicago. Bruno and Frenkel would, like Fischer, become top officials in the World Bank and IMF. The whole process was overseen by Fischer and Stein, who went to Israel to monitor the operation as advisors of Secretary of State Shultz.

In his autobiography, *Battling for Peace*, Peres recalls how he was able to force the Economic Stabilization Plan, “drafted by Israelis,” into implementation. In the years to come, no matter who led the government, the transformation of the Israeli economy continued; Bruno and Frenkel became Governors of the Bank of Israel, where they championed radical free-market policies during the 1980s and 1990s.

For Fischer, the experience went beyond “economics,” to the exercise of power. He told the Russell Sage interviewer that as advisors to Shultz, they had the authority to say to Israeli politicians and officials, especially those hesitant to implement the Plan, that “The Secretary of State believes this.” Then Fischer went on to say: “As a professor, that didn’t impress me. But when you say ‘the Secretary of State believes’ to a government that depends on the United States, they are not listening only to the economics.”

Fischer no doubt enjoyed such power when he was the financial oligarchy’s hit man as a Director of the World Bank (1988-90) and the Deputy Managing Director of the IMF (1994 to 2001). In the latter post, he was involved in all the major financial crises—Asia, Mexico, Russia, and others. As the new Governor of the Bank of Israel, he will not be representing Israeli interests, but those of his masters in the international financial oligarchy.

## Fischer Destroyed the Peace Process

Fischer’s appointment as Governor of the Bank of Israel targets the entire region. Any peace must involve Israel, and it must involve regional economic cooperation. Lyndon LaRouche’s Oasis Plan for a Middle East Peace, which calls for massive investment in economic infrastructure, especially in water desalination using nuclear energy as the power source, is the only hope. Fischer’s appointment is aimed at sabotaging any such effort—look at his role in destroying the Oslo Accords.

The foundation for the success of the 1993 Oslo Accords lay in the so-called economic annexes, which called for Israeli-Palestinian cooperation for economic and regional development. These annexes identified a number of projects, including a seaport and airport to be built in Gaza and the Mediterranean-Dead Sea Canal, desalination and other water development projects, and agricultural and industrial development—among the main reasons Yasser Arafat accepted the agreement.

But before the ink was dry on the Accords, the World Bank stepped in as “coordinator” of all economic aid to the Palestinian Authority. This was the beginning of the end of the agreement.

In 1990-93, from MIT, Fischer was involved in what he called various “quasi-academic initiatives” on the “economics of Middle East Peace.” He wrote “Building Palestinian Prosperity” (*Foreign Policy*, Vol. 93, Winter 1993-94), where he laid out a “free-market” economic policy for the West Bank and Gaza Strip. It was, in effect, the first economic stabilization plan to be proposed for a militarily occupied territory that was not even a state. Beginning in 1994, as First Deputy Managing Director of the IMF, Fischer could exercise hands-on control of economic policy for the Middle East.

With their hands on the flow of the Palestinian aid, the World Bank and IMF ensured there would be no great projects, no Mediterranean-Dead Sea Canal, no water desalination, no regional transportation projects—and no peace. The World Bank even forbade the Palestinian Authority to use its funds to construct 200,000 desperately needed housing units, which would have permitted them to dismantle the squalid refugee camps where more than half the Palestinian Authority population lives.

The same policy applied to Jordan, Egypt, and other countries in the region. If Shimon Peres’s touted “New Middle East” were to come into being, it would have to be a radical free-market Middle East.

By 1996, the real GNP of the Palestinian territories had declined by 22.7%; real per-capita GNP declined 38.8%. In 1996, unemployment in the Gaza Strip was at 39%; on the West Bank, 24%. Wages fell 16% and 8%, respectively.

Also by 1996, Israeli Prime Minister Yitzhak Rabin was dead at the hands of an Israeli assassin, and Benjamin Netanyahu was Prime Minister of Israel. The peace process was dead. The rest is history.

# Bush/USDA Mad Cow Malfeasance Exposed; Food Cartels Threaten Public Health

by Marcia Merry Baker

Even before Congress reconvened this month, several Senators and Rep. Henry Waxman (D-Calif.) challenged the new U.S. Department of Agriculture (USDA) rule announced Dec. 29, which would lift the U.S. ban on Canadian live cattle imports as of March 7, a ban imposed 19 months ago when a Canadian BSE case was found in May 2003. Congress has the right to modify or cancel such an administrative rule, and such actions are being pursued. Republican Sen. Conrad Burns (Montana) has called for the USDA to delay opening the U.S. border to Canadian cattle.

On Jan. 4, Sen. Kent Conrad (D-N.D.) and Waxman demanded a review by the USDA, questioning its grounds for making its new rule; Waxman and Conrad contest the USDA assertion that Canada is containing BSE risk by controlling its cattle feed. On Dec. 30, Sen. Byron Dorgan (D-N.D.) called for decisions based on “science, not on politics.” On Dec. 22, Sen. Frank Lautenberg (D-N.J.) scored the USDA for its lax inspections of U.S. beef facilities. On Jan. 11, Sen. Tim Johnson (D-S.D.) demanded a hearing on the new USDA rule.

Their point is underscored by two new cases of BSE just confirmed this month in Alberta, Canada. One case was announced Jan. 2, and the other Jan. 10; they are in different locations in Alberta, and unrelated, except that the common denominator is considered to be contaminated cattle feed, going back seven or eight years ago. The one BSE case found in the U.S. in December 2003, was likewise from an animal originating in Alberta, and attributed to tainted cattle feed in Canada. Meantime, cattle feed routinely comes into the United States from Canada.

A look at the epidemiological particulars involved in BSE in North America, and the pattern of public health inaction, and cover-up by the relevant agencies during the Bush Administration—in the USDA, the Food and Drug Administration, and related institutions—shows the same “Go Flu Yourself” attitude that led to the sudden lack of 50% of the expected influenza doses for the U.S. this flu season.

Secondly, the insistence on re-opening the U.S. border to Canadian cattle, comes from the wing of the international synarchist financial and commodities cartels, which have positioned their operations (beef slaughtering, food processing, cattle feed, and so on) worldwide on extensive *cross-border* networks of facilities. The prominent names include Cargill,

Archer Daniels Midland (ADM), Louis Dreyfus, Tysons, and others.

Even before the second Bush Administration was sworn in, this cartel demanded that the USDA get the Canadian border open again. The first week in January, Tysons, one of the largest meat processors in the U.S., made a big public relations announcement that they were being forced to close their West Point, Nebraska, beef plant, and furlough workers at some others, for lack of sufficient cattle—translated: because of the Canadian imports ban, 1 to 2 million cattle a year are not allowed into the U.S.

Cargill, the privately held mega-multinational, based in Minnesota, has slaughtering facilities in Alberta, which prior to May 2003, were exporting 60 percent of their beef—to the U.S., Japan, South Korea, and elsewhere, all of which stopped after May, 2003, when “Canadian” product—read “Cargill” product—was banned. Also, Cargill is the world’s largest cattle feed processor, producing in Canada under labels including Cargill, Agribrands, and Purina.

## Cattle Feed Crucial

The cattle feed issue is pivotal, both politically, and also as far as what is known about BSE epidemiologically. On Jan. 4, the USDA released its 500-page “Minimal-Risk Nations” rule, and presented several rationalizations for why Canada showed minimal risk of BSE, and why the bans against imports into the U.S. should be lifted. The weakest “reasoning” is the statistical argument that not many BSE cows are being found, relative to the 5.5 million cows in Canada.

However, the foremost reason given by the USDA for re-opening the border is that Canada is exerting “effective” controls over what goes into its cattle feed.

In fact, this lie is double-headed. There has been inadequate enforcement of regulation of cattle feed not only in Canada, but also in the United States. Over the past 19 months, occasional samples of cattle feed entering the U.S. from Canada have been found to contain animal protein matter, barred under both Canadian and U.S. BSE health precautions. FDA “import alerts”—just slaps on the wrist—have been imposed on the processors, which have included some of the world’s largest, such as ADM and Louis Dreyfus.

But first, consider the science issue involved, then the record.



Though much is not understood about the BSE category of diseases, called transmissible spongiform encephalopathies (TSEs), it has been advocated since the 1970s that ruminant waste parts not be recycled back into the livestock feed chain, as a precaution of baseline sanitation in the case of TSEs. There was special concern in Britain in the 1970s, because of an extensive outbreak of sheep scrapie (the name for TSE in sheep), and the fear that the infective agent—not well understood—might somehow make a species jump.

In 1979, it was the imperial refusal of British Prime Minister Margaret Thatcher to heed British veterinary and public health scientists on this—Thatcher decreed that the British feed industry will “self-regulate”—that allowed a vast flow of waste parts from infected sheep, and other animals, to be recycled back into the cattle feed chain. By the mid-1980s, the BSE outbreak occurred, eventuating in 180,000 U.K. cow cases, with 3.5 million animals culled. Under Lady Mad Cow Thatcher, the infection spread worldwide, through exports of live animals and feed.

Therefore, depending on a nation’s trade relations for cattle and beef with Britain directly, or indirect connections, during the 1980s and subsequently, a nation may have a greater or lesser presence of the BSE problem. Significant numbers of cases showed up in Europe, a number in Japan, and elsewhere. The United States, with next to no imports of British cattle and beef, has not confirmed a native case of Mad Cow. Canada, with closer ties to Britain, found its first case of a BSE cow in 1993, but the animal had been imported from the U.K. in 1987. Then since May 2003, four animals born in Canada have been confirmed with BSE. The disease has a years-long gestation period before it becomes manifest.

France, Japan, Ireland, and other nations have imposed very stringent rules to attempt to reduce the disease, involving surveillance of healthy animals, individual identification for cows, and so on. Equally, there are strict measures to keep BSE out of the food chain. The jump of the bovine form of TSE to humans is called variant Creutzfeldt Jacob Disease, or vCJD, and has been documented in Britain.

In Japan, every cow going to slaughter is tested. In France, every second cow is tested at the slaughterhouse. Last year, 54 cases of BSE were found in France. This follows a consistent decline since the compulsory screening at the slaughterhouses, and national surveillance and testing were implemented. France had in 2001, 274 BSE cases; in 2002, 239 cases; in 2003, 137 cases; in 2004, 54 cases. The intention is to contain and fight the disease to its elimination.

In contrast, the regulatory record in North America has been slack and devious, from practices at slaughterhouses, to cattle feed, surveillance, and testing. On Dec. 22, 2004, Sen. Frank Lautenberg demanded an investigation by the USDA into the allegations by the National Joint Council of Food Inspection union, that “materials, including spinal cords which carry Mad Cow disease, are indeed making it into the

human food supply.”

On cattle feed, action has been slow to come, and not strongly enforced. In 1997, the U.S. and Canada passed laws to ban certain cow parts from being recycled back into feed. But no serious follow-up was implemented. Then, after the May, 2003, BSE cow in Canada, more stringent bans on risky parts from cattle carcasses were announced in Canada on July 18, 2003.

In the United States, following the BSE case in Washington state (which originated in Canada), the FDA announced on Jan. 26, 2004, a ban on the use of cattle blood as a protein supplement for calves, and also proscribed the use of chicken litter as cattle feed (because cow parts could still be added to chicken feed, and thus end up being cycled back into cattle feed).

However, none of these partial and late-in-the-game proscriptions have been effectively enforced.

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## Documentation

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### Conrad/Waxman Letter To Gov. Michael Johanns

*On Jan. 5, 2005, a letter was sent from Sen. Kent Conrad (D-N.D.), and Rep. Henry Waxman (D-Calif.), to Gov. Michael Johanns, the incoming Secretary of Agriculture, calling for his review of the newly announced U.S. Department of Agriculture decision to lift the ban on live cattle imports from Canada as of March 7. The letter states:*

A principal rationale for USDA’s decision is that Canada has a “rigorous” and “effective” feed ban in place, which prevents the spread of “mad cow disease” by preventing protein derived from cattle from being fed to cattle.

It appears, however, that USDA has failed to review significant evidence that calls into question the effectiveness of the Canadian feed ban. . . .

*The letter summarizes four findings in this regard, and then includes six more pages to elaborate on the key points. Here is the conclusion, and excerpts from the attachments.\**

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\* Extensive footnotes have been omitted. The full letter and appendices are available on the website of the House Of Representatives Government Reform Committee, Minority Office, at [www.democrats.reform.house.gov/](http://www.democrats.reform.house.gov/) Among the detailed references provided are: articles from the *Vancouver Sun*, Dec. 16-17, 2004, and two critical footnotes. One is a reference to the “USDA Rule”: U.S. Department of Agriculture, *Bovine Spongiform Encephalopathy; Minimal-Risk Regions and Importation of Commodities*, 70 Federal Register 459-553 (Jan. 4, 2005). The other is: Canadian Food Inspection

## Canadian Feed Companies Subject to FDA 'Import Alerts'

October 2003 to the Present

Company	Date	Products Cited	Reason for Import Alert
Archer Daniels Midland	Oct. 2, 2003	Medicated and non-medicated animal feed	muscle tissue
Louis Dreyfus Canada, Ltd.*	Dec. 20, 2003	Medicated and non-medicated animal feed	muscle tissue
Cascadia Terminal [owned 50/50 by Cargill & Agricores]	Oct. 28, 2003	Medicated and non-medicated animal feed	suspect muscle tissue; unidentified animal hairs
Agricores United*	May 10, 2004	Medicated and non-medicated animal feed	muscle tissue, blood material
Masterfeeds (AGP)*	Oct. 3, 2003	Medicated and non-medicated animal feed	blood material
Landmark Feeds*	Dec. 30, 2003	Macintosh Beef Calf Grower with corn	contains suspect muscle and blood tissue
Saskatchewan Wheat Pool	Jan. 2, 2004	Medicated and non-medicated animal feed	muscle tissue, feather barbule

\* Import Alert Active, as of January 2005

Source: FDA Import Alert #71-02 (Nov. 3, 2003; Feb. 5, 2004; and Aug. 24, 2004).

*This is a selection from the 19 companies listed in the Conrad-Waxman letter.*

### Conclusion

USDA's decision to allow imports of cattle from Canada rests in significant part on its determination that the enforcement of the Canadian feed ban has been "rigorous" and "effective." There is significant evidence that calls these findings into question. This evidence includes a series of import alerts from FDA, as well as internal Canadian documents. It does not appear that this new evidence has been reviewed by USDA.

### The New Evidence

To evaluate the Canadian feed ban, USDA appears to have relied principally on two documents. The first is Canada's BSE risk assessment, which was published in December 2002. USDA characterizes this document as showing "high levels of compliance with the feed ban by routine inspections of both renderers and feed mills."

In fact, Canada's risk assessment showed that in 1999, of 65 feed mills inspected, 20 (31%) were not in compliance, including four that did not have written procedures to prevent contamination of feed. In 2000, 108 feed mills were inspected, of which 38 (35%) were not in compliance, including 14 that did not have written procedures to prevent contamination.

USDA also cited a July 30, 2004, memo from Canada's chief veterinarian to Dr. John Griffen, deputy administrator of USDA's Animal and Plant Health Inspection Service. USDA described the memo as indicating that:

[W]ith respect to the Canadian commercial feed industry, non-compliance of "immediate concern" has been

identified in fewer than two percent of feed mills inspected during the period April 1, 2003, to March 31, 2004. Those instances of noncompliance of "immediate concern" are dealt with when identified.

USDA explained that "noncompliance of 'immediate concern'" includes cases where prohibited materials contaminate feed. The Department did not disclose the amount of feed involved nor how problems have been "dealt with." The Department also has neither released the June 30, 2004, memo to the public nor provided complete information about compliance with the feed ban from 2001 to 2004.

Recently, evidence has emerged to suggest that USDA's assessment of the Canadian feed ban may be mistaken. Three developments in particular raise serious questions about the effectiveness of the ban.

**Import Alerts.** On several occasions since October 2003, and most recently on August 24, 2004, FDA has issued formal "import alerts" that permit the detention of animal feed that could cause the spread of BSE in the United States. These alerts, which are based upon "random sampling and analysis . . . for the presence of animal tissues," have repeatedly cited feed made by Canadian companies.

FDA has found muscle tissue in 15 Canadian products, animal hair in five (including bovine hair in two cases), blood in eight, and bone in two. Over the last 15 months, FDA has cited products from 17 Canadian companies, including some of the largest feed producers in the country. A summary of these import alerts is included as Attachment 2. [See table].

To be removed from FDA's "import alert" list, companies must show corrective actions, including, at a minimum, "a description of the current processes being used to prevent contamination" and "verification that the processes are adequate." But not all Canadian companies have apparently been able to meet this standard. Nine "import alerts" on animal

Agency, *Risk Assessment on Bovine Spongiform Encephalopathy in Cattle in Canada* (December 2002) (online at <http://www.inspection.gc.ca/english/sci/ahra/bse/bseise.shtml>). This report concluded that the chance of a single case of BSE originating in Canada was 7 in 1000. Subsequently, three cases have been identified). [This has now increased to four—ed.].

feed because of BSE risk are still active today—eight are against feed companies based in Canada.

**Contaminated “vegetarian” feed.** On December 16, 2004, the *Vancouver Sun* reported that “secret tests” by Canadian regulators of 20 of 28 samples of vegetarian animal feed manufactured in Canada contained “undeclared animal materials.” The tests found that more than half of all samples of feed used in Canada were contaminated. In an internal memo, a senior government regulator called the test results “worrisome.”

In response to this disclosure, Canadian officials stated that the tests did not prove the presence of dangerous animal proteins (such as those derived from cattle). However, according to the *Vancouver Sun*, Canada decided against conducting additional testing that may have determined whether the contamination was from cattle protein.

Additional problems with enforcement of the feed ban have also recently come to light. According to the *Vancouver Sun*, another memo written by a senior Canadian regulator stated that more than one in five Canadian feed mills continue to be out of compliance with the feed ban requirements. The *Vancouver Sun* also reported that in 2003, seven facilities were found to have “major noncompliance,” including three that were “failing to prevent the contamination” of cattle feed. In one of these cases, the contaminated feed was actually consumed by cattle.

**Canada’s own assessment.** On December 10, 2004, the Canadian Food Inspection Agency—Canada’s food safety agency—proposed changes to its feed ban. In explaining the need for these changes, the agency described gaps in its current approach.

In a section of the proposal called “vulnerabilities of current feed ban regulatory framework,” the agency stated that “the current framework provides opportunities for prohibited proteins to be accidentally included in or cross-contaminate feeds for ruminants.” The agency explained that assessing compliance with the current feed ban “remains difficult” because of the absence of “definitive testing methods.” The agency also found that “opportunities for misuse of feed on farms with multiple species represent an area of vulnerability.” The agency concluded that “[t]he present feed ban might have been acceptable without the incidence of BSE in this country; but with it, there is a need to strengthen the key points crucial to preventing the spread of the disease.”

Based on this analysis, the Canadian government has proposed prohibiting specified risk materials, such as brains and spinal cords, from animal feed and prohibiting the use of dead stock or condemned carcasses for animal feed. Canada has also proposed extending these prohibitions to pet food, segregating specified risk materials during the slaughter process, and using new procedures to identify specified risk materials and dead stock.

A 75-day comment period for the proposal, which has yet to take effect, ends February 24, 2005.

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## Energy Cooperation

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# Myanmar, Bangladesh, India Clinch Deals

by Ramtanu Maitra

Enhancing their steadily developing relations, India and Myanmar have agreed to jointly explore the off-shore and deep-sea gas and petroleum fields in Myanmar. This was discussed on Jan. 11 by India’s visiting Oil and Petroleum Minister, Mani Shankar Aiyar, during his meeting with Myanmar Prime Minister Lt. Gen. Soe Win. It is apparent that the Manmohan Singh government has come to the conclusion that it is of strategic interest for a nation like India, which lacks oil and gas resources, to acquire a stake in Myanmar’s surplus oil and gas fields.

Back in the 1990s, when the late Indian Prime Minister P.V. Narasimha Rao adopted a “Look East” policy to extend India’s strategic interests, it became evident that India, blocked on its west by a hostile Pakistan, must form strategic ties in Southeast Asia and Far East.

Myanmar sits where three great regions of Asia meet: China in the north, Southeast Asia in the south, and India in the west all meet at Myanmar. Myanmar is the key to a smooth infrastructural land-based link-up among Central Asia in the west, Japan in the east, and Russia in the north. If Asia hopes to develop a strong economic developmental structure based on a viable physical economy—and it must—Myanmar must not only be a stable nation, but also must be economically developed. Strong infrastructural development, a far-reaching educational base, and the development of wide-ranging small-scale industries would put Myanmar on a development track.

Closer India-Myanmar relations would begin to fill in the picture. In addition to signing a memorandum of understanding for strategic energy ties, New Delhi has also moved to include Bangladesh, in order to propose tripartite regional energy sector cooperation. A tripartite discussion, with India, Bangladesh, and Myanmar, was scheduled for Jan. 12 at Yangon, Myanmar, on the proposed gas pipeline from Myanmar to India via Bangladesh. It is the first time that Bangladesh will formally enunciate its position on the proposal in a tripartite gathering.

Reports indicate that Bangladesh’s proposal at the Yangon meeting would also include passage through Indian territories to import electricity from Nepal and Bhutan in the north, in exchange for allowing the tri-national gas pipeline to pass through Bangladesh territory. The reports suggest that



The groundwork for the concluded agreement had begun months ago. Two important visits stand out in making this agreement a success. The first one was in October 2004, by Myanmar's military ruler, Than Shwe—the first Myanmar ruler to visit India in 24 years.

## Two Key Visits

The Myanmar ruler's visit to India had come under strong attack from the human rights activists because of Yangon's domestic policies. Although there is no doubt that Myanmar does not practice democracy the way India does, it became clear years ago that both governments have common interests in the growth of their respective countries.

The visit was a resounding success and it laid the foundation for positive things to evolve. During his visit, Than Shwe promised a coordinated operation with Indian troops along the 900-mile porous border between the two countries (India's northeastern region has been home to several insurgencies for the past five decades), and authorities of both nations signed a memorandum of understanding for cooperation in non-traditional security issues. The pact is aimed at improving cooperation between the two sides against international terrorism, arms smuggling, money laundering, drug trafficking, international economic violations, and cyber crimes.

The second key visit was by Bangladesh's Finance Minister, M. Saifur Rahman, last November. The ostensible reason for his Delhi visit was to attend the three-day India Economic Summit. But he extended his stay by two more days to do some plain talking with top Indian political leaders, including two highly respected former Prime Ministers—I.K. Gujral and Atal Behari Vajpayee.

During his talks with Indian leaders, the Bangladeshi Finance Minister addressed Dhaka's concern about the adverse balance of trade, and held substantive discussions on other major issues, such as allowing transit to India, export of natural gas to India, and border incidents.

India's internal problems in the northeast Indian states, Dhaka's alleged support to the insurgents, and the latest proposal for a tri-national gas pipeline from Myanmar to West Bengal through Bangladesh territory, were also placed on the table for discussion.

Saifur Rahman made clear to the Indian leaders that Dhaka, in principle, would like to cooperate with a tri-national gas pipeline for bringing natural gas to India from Myanmar, but the ownership of the pipeline project has to be determined first. On transit, he suggested that Dhaka would prefer allowing transit facilities to India only through the railway system, as Dhaka has developed "a good railway system" and it would not be possible to offer "road transit."

Rahman told newsmen: "Delhi wants transit for all modes of transportation from us, but the fact is, we have been asking India for the last 30 years for only a 13-km road transit to Nepal, which it did not give us." It seems some of Dhaka's basic demands have been paid attention to by New Delhi.

a Bangladesh utility company has proposed installing the gas pipeline, to facilitate India's gas import from Myanmar. The idea is to deal with the pipeline as part of a package, and not treat it as an individual case.

## Tripartite Agreement

"We would like to see the gas pipeline installed under regional energy cooperation," said the Minister for Energy and Mineral Resources, A.K.M. Mosharraf Hossain. The proposed pipeline will carry gas from Myanmar to the Indian state of West Bengal. By offering the transit corridor, Bangladesh could earn about \$125 million annually in transit fees for the pipeline, which would run through Arakan (Rakhine) state in Myanmar, to the Indian states of Mizoram and Tripura, before crossing Bangladesh to Kolkata (Calcutta).

India has been making a serious effort to import gas from the west, particularly from Iran. This proposed eastern corridor could open up new sources of energy. India's Oil and Natural Gas Videsh Ltd (ONGVL) has a 20% interest, supported with a 10% stake by India's Gas Authority of India Ltd. (GAIL), in two offshore blocks, A-1 and A3, in Myanmar. The other consortium partners are Daewoo and KOGAS. Block A-1 extends over an area of about 3,885 square kilometers off Myanmar's Rakhine Coast, close to Bangladesh.

Myanmar claims that the country has a potential of about 1,000 billion cubic meters of natural gas. ONGC, India's largest gas producer, has a reserve of about 650 billion cubic meter of natural gas. Experts say that although the Myanmar estimates speak of potential reserves, this could be a major gas source to meet India's growing energy needs.

# State Budgets In Crisis, Need FDR Approach

by Arthur Ticknor

Shedding crocodile tears while blaming financial “constraints,” Tennessee Gov. Phil Bredesen announced on Jan. 10 that he was eliminating health-care coverage for 320,000 of the state’s sickest, uninsurable citizens. Widespread medical hardship is in the offing, as half of the adults are being dropped from TennCare, Tennessee’s Medicaid managed care program that provides health care benefits to about 22% of the state population. The same budget axe is falling on essentials all over America, as after two years of the George W. Bush’s “Hoover recovery,” state budgets remain wrecked, from New York’s and California’s \$6-10 billion deficits, to Colorado’s 16% drop in tax revenues since 2002.

More than covering the poor and disabled of Tennessee, TennCare has also provided coverage to the uninsured, people with catastrophic illnesses that would rapidly bankrupt them without state coverage, and those whose chronic illnesses mean that no company would insure them. These groups—together with about 38,000 elderly people who rely on Tenn Care for their prescription drugs—are now, in effect, to be relegated to leading “lives not worthy to be lived.” Bredesen met with the Bush Administration’s Centers for Medicare and Medicaid Services chief Mark McClellan, to get the “green light” to consign these citizens to the junk heap.

Meanwhile, Florida Gov. Jeb Bush laid out his plan Jan. 11—four days after discussing it with Health and Human Services Secretary Tommy Thompson in Washington—to rip up the state’s 40-year-old healthcare safety net for the poor and disabled, by calling for HMO-run privatization of the state’s Medicaid program. Such a fascist policy, he argued, was needed to save money, because Florida Medicaid is in danger of complete collapse because of rising costs.

Under Jeb’s proposal, private insurance companies and health maintenance organizations, rather than the government, would set limits on care and coverage—even when, in many cases, they refuse to provide such needed benefits.

## The Time for a ‘Super-TVA’

In the Midwest rust-belt, Detroit Mayor Kwame Kilpatrick threatened on Jan. 12 a state takeover of the once-mighty industrial city’s finances, unless officials immediately slash costs to meet a projected \$230 million deficit. Kilpatrick called for municipal employee lay-offs, pay cuts, and tax increases.

These are not isolated cases, but responses to the unprec-

edented, multi-billion dollar budget crises facing state and local governments across the nation, as they convene their beginning-of-year sessions. Using scare tactics not unlike the Administration’s pretext for implementing the Pinochet model for Social Security privatization, drastic cuts are being pushed by the financier interest, typified by George Shultz’s control of Governor Arnie Schwarzenegger’s bloody budget-cut team in California. In order to prop up their hopelessly bankrupt financial system, the Shultzes and Rohatyns demand looting of the most vulnerable citizens. The survival of the republic hinges on mobilizing citizens to defend the principle of the general welfare, as former President Franklin Roosevelt did.

Lyndon LaRouche outlined the solution, in an international webcast Jan. 5. “And unless we have a government that says, ‘George Shultz, you’re wrong, the Mont Pelerin Society is wrong, and we’ve got to go back to a Franklin Roosevelt way of thinking about the nation,’ unless we do that, California is doomed and the rest of the nation is doomed.”

The budget crises do reflect the ongoing breakdown, under free-market mania and post-industrial lunacy, of what had been the world’s leading producer economy. Elected officials, facing falling tax revenues and shrinking city populations, must be freed from swimming in the goldfish bowl of austerity, and instead start to realize, “It takes an economy, stupid. . . .”

Bredesen’s plan also hits the state’s health providers, such as doctors and hospitals, which will no longer receive payments for treating these patients—likely forcing the shut-downs of some rural hospitals and physicians’ offices. “This is worse than any natural disaster that has ever befallen our state,” warned Gordon Bonnyman, an attorney with the Tennessee Justice Center, referring to Bredesen’s cuts.

Some other budget crises include:

- Ohio. A deficit as high as \$5 billion is projected for the state’s Fiscal 2006 budget. Lawmakers’ “penny” sales tax, enacted two years ago as a quick-fix revenue recourse, expires this June. The “talk” focusses on how to cut Medicaid, fund education, and so on. In particular, Cleveland school officials agreed to slash \$30 million by closing 14 schools, lay-offs, elimination of extracurricular programs, and even a proposal to go to a four-day school week.
- Indiana. A \$600 million deficit in the state budget faces the legislature. Proposals are in the air, to find ways to cut Medicaid and other mandatory services; and, the state owes \$710 million in back payments to schools, universities, and local governments.
- Mississippi. Some 50,000 low-income, elderly, and disabled patients are scheduled to lose Medicaid benefits at the end of January, in order to help close a \$268 million deficit in the program.
- New York. A \$6 billion deficit looms; Gov. George Pataki has plans to reduce Medicaid services.

## Ghost of Schacht Haunts Germany

*The Hartz IV austerity regime is now in effect, posing the danger of a slide into Nazi-era Schachtian labor policies.*

The German government's "Hartz IV reform" of wage and social welfare cuts represents the worst threat to the living standards of millions of citizens since the founding of this republic in 1949. Named after its initiator, government advisor Peter Hartz, the "reform" pares down traditional unemployment and welfare compensation. The package went into effect on Jan. 1, and affects more than 4.5 million long-term unemployed and welfare recipients. Many of these people will be thrown into poverty by the new policy, among them 1.5 million children and youth under age 18.

Although the changes are not that dramatic yet for those who were not on welfare before, they will be drastic for the long-term unemployed. If a person loses his or her job, between 50 and 60% of the last average income earned, will be paid as jobless support by the state. This may be 700, 800, or even more than 1,000 euros per month. But after 12 months (for those under age 55) or 18 months (above age 55), one enters the category of "long-term unemployed" citizens, who will receive less than 50% of their former working income.

The new maximum pay for all long-term unemployed and welfare recipients will be 345 euros for citizens in the ten western states of Germany and in the capital, Berlin, but citizens in the five eastern states will receive 331 euros per month. One will receive this only once several conditions are met: 1) the sale of any property above a value of 26,000 euros (cars, homes, other real estate, insurance policies) per capita; 2) any job offered by the

state and private job agencies must be accepted, irrespective of pay level, qualifications of the worker, or location (people are expected to travel long distances, if necessary); 3) if one fails to get a new job, one has to prove that it is not one's own fault.

According to official data, there are 4.3 million jobless people now, and a deficit of 1.7 million jobs; an estimate by independent experts says that in reality, the economy is running 7-8 million jobs short of its needs. There are regions in the east, where there is only 1 job being offered to 80-100 job-seekers. Thus the Hartz IV conditions are a cynical insult to the dignity of the citizen.

The government claims that the pay of 345 or 331 euros per month is sufficient, because state support for rent, electricity, and heating will be continued. But the recipient of the 345/331 euros is expected to cover all his expenses, including transportation fees. If one takes a job far away from home, bus and train fares will eat up 25% and more of those 345/331 euros. And the potentially destabilizing effects of the sale of insurance policies and real estate by a half million Germans, have not been addressed by the authors of the new legislation.

Since at no time during the 55-year existence of this German post-war republic, have policies been implemented that even come close to those of Hartz IV, the historical reference point is not even the founding year of the republic, 1949, but rather, the Great Depression. During the early 1930s, citizens were expropriated, and their living standards brutally low-

ered, under the monetarist system of the Governor of the Reichsbank, Hjalmar Schacht, who also played a crucial role in bringing the Hitler regime to power in January 1933, and served it as Minister for Finance and Economics for five years.

Schacht's name is associated among Germans with the shift from "normal" austerity toward brutal austerity, militarization of the economy, and the slave labor camps. Granted, there are no labor camps, no militarization of the economy in Germany today, and jobs paying 1 euro per hour (!) have been created only in a minuscule part of the municipal public sector so far; but calls have begun to be issued from the most radical free-market economists, that "jobs" should be created, by turning ordinary jobs in the private industrial sector into 1-euro jobs. This would be done by cutting each former full-time job into three or four new ones, at pay of 1 euro per hour. The entrepreneur would pay 3-4 euros per hour to the labor agency that leases the unemployed person to his firm, and the agency would pay 1 euro per hour to the worker. Thus, when protesters during the Monday rallies in the Summer of 2004 attacked the "return of the Reichsarbeitsdienst," the Schachtian labor service, they were quite on the mark.

The government has so far rejected the system; but any idea of creating more than the 40,000 jobs at 1 euro/hour that have been set up so far, will inevitably lead to brutal changes in the overall labor market. Unemployment is still rising (by 200,000 in December 2004), to a new official record high of 4.46 million, and it is expected to rise further. Labor union protests and also the turnout at Monday rallies are expected to increase starting in February, after the first four weeks of Hartz IV make their full impact.

## Elections in Palestine: 'Democracy Under Occupation'

by Michele Steinberg

On Jan. 10, in Washington, D.C., Dianna Buttu, a legal advisor to the Palestine Liberation Organization's peace negotiators, gave a powerful, and grim picture of what really happened on the ground in the Jan. 9 elections that gave PLO Chairman Abu Mazen (Mahmoud Abbas) the Presidency of the Palestinian Authority by a broad victory of 62% of the vote. There were seven candidates for the Presidency, and humanitarian aid leader Mustafa Barghouti came in second, with just under 20%.

"To an outsider, it looks like a normal election," Buttu said. There were "200,000 posters, 500,000 stickers, millions of leaflets, and what-have-you . . . radio ads, TV ads, one even had Richard Gere," but it was anything *but* normal. Imagine Richard Gere going on TV to tell Palestinian youth to "Rock the Vote," at the same time that the highest number of Israeli military assaults and killings of Palestinians since the Nov. 11 death of Palestinian Authority President Yasser Arafat had been carried out in the single week before the election. Imagine the situation in East Jerusalem, where more than 95% of the registered Palestinians were *never allowed to vote!* The election was, as the title of Buttu's briefing to Washington, was called, "Democracy Under Occupation."

Buttu's report on the Palestinian elections, especially for Americans who worked and marched in the civil rights movement with Dr. Martin Luther King, Jr., before his assassination, and in his memory after his assassination, is a reminder that the battle for voting rights is both sacred and ongoing. And, as in America before the Voting Rights Act of 1965, voter suppression under Israeli interference in the elections, was "the law of the land." Her report was all the more poignant, coming four days after the Jan. 6 challenge to the acceptance of the Bush-Cheney electors from the State of Ohio, by members of the U.S. House of Representatives and the Senate—Rep. Stephanie Tubbs Jones (D-Ohio) and Sen. Bar-

bara Boxer (D-Calif.)—which led to a debate detailing the massive pattern of voter suppression in Ohio and other states, and putting into question whether Bush really "won" the 2004 election.

### Sharon Deaf to Democracy

The Palestinian elections point to the sad fact that for the Bush Administration, the call for "democracy in the Middle East" is a hollow and cynical manipulation. Highly placed Washington intelligence sources reported that no less a figure than former President Jimmy Carter phoned Israeli Prime Minister Ariel Sharon twice to protest the conditions the Israelis imposed on the election. But, President Carter was only able to secure a "promise" from Sharon's henchman, Dov Weisglass, to correct the "serious problems" of the voting procedure in East Jerusalem. No such corrections of the vote suppression occurred.

At the same time as reporting the grim picture, however, Buttu was able to communicate that an unprecedented optimism in the Palestinian population is shown by the polls: Some 81% of the Palestinians polled, accept a reconciliation with Israel. But, she warned, if the life of the Palestinians under the Israeli occupation does not change—meaning the end of checkpoints, of curfews, of Israeli assassinations of Palestinians, of Israeli land seizures to build more settlements and the apartheid wall, the end of constraints that prevent Palestinians from working and having normal jobs—then that optimism will disappear, and the situation will become "even more ugly" than ever.

This mood represents a tremendous opportunity *for Israel*, she emphasized, but the danger is that Israel will not take advantage of it, and will continue the collective punishment of the Palestinians.

Buttu made two immediate observations about the elec-

tion of Abu Mazen. First, he was elected only “President of the Palestinian Authority” and was *not*, like Yasser Arafat, the “leader of the Palestinian people.” The difference is simple and fundamental. In these elections, only 3.5 million Palestinians, out of 9 million, were eligible to register to vote. All refugees, including those as near as the refugee camps in Lebanon and Jordan, did not have the right to vote. The 1 million Palestinians who are citizens of Israel were not allowed to vote. And in the biggest outrage of all, only 5,767 Palestinians in East Jerusalem—out of 124,000 registered voters—were allowed to vote.

In East Jerusalem, Israel made every attempt to prevent voter registrations, but thanks to a door-to-door effort, 124,000 Palestinians were registered there. What happened is that in September 2004, the Palestinian Central Elections Commission (CEC) opened registration centers in Jerusalem. Then, on Sept. 13, the Israeli army shut down six of the registration centers in the city and arrested numerous employees of the CEC. Sensitive electoral materials and completed registration forms were also confiscated from the centers, effectively stifling the Palestinian democratic electoral process in Jerusalem. The registration centers were not allowed to reopen. A seventh registration center was closed by the CEC itself to avoid the military action.

Then, on Election Day, the Israelis restricted the voting to only post offices, which could handle—it was announced in advance—only 5,767 votes! That is, more than 95% of the Palestinians in East Jerusalem were *not allowed to vote—by design*. Some voters were channelled to other polling places, but they still had to go through checkpoints, and it is not known how many actually voted.

Buttu also presented a chart of the attacks on the Palestinians in the eight weeks since Nov. 11. And, in the final week before the election, she noted that the number of killings of Palestinians by Israelis was the highest since Arafat died, and the number of Palestinians arrested was the second highest. In these eight weeks, there were nine assassination attempts by the Israelis, in which eight Palestinians were killed. All told, 88 Palestinians were killed, one-quarter of them children. There were 339 injured by direct military assaults; 1,055 raids by Israeli security forces; 901 Palestinians arrested, with 276 detained. There were also 89 homes demolished, and 43 curfews imposed by the Israelis.

## What Happens Next?

What happens next is very much up in the air. Sharon placed a telephone call to Abu Mazen after the election, and on Jan. 10, Bush said at a press conference that he had invited Abu Mazen to the White House. But, on Jan. 12, Israeli troops assassinated two Hamas militants in the West Bank. And, now, in Gaza—where the much ballyhooed Sharon “withdrawal” has not removed a single settlement, or soldier, the Israelis have sealed off the Gaza strip, and are mounting a counter-offensive—militants from the Islami Jihad and Ha-

mas have killed up to seven Israelis on military patrols and at military checkpoints since Jan. 9.

Hamas and Islami Jihad boycotted the Jan. 9 election, but Buttu reported that Hamas did extremely well in West Bank local Palestinian elections, winning 7 out of 26 races, and is biding its time to run in the legislative elections in June 2005. Part of their success is due to the fact that Sharon, with the U.S. blessing, dismantled and destroyed the Palestinian Authority. If Hamas’s gains are “alarming,” said Buttu, then the United States would do well to stop the Israelis from destroying the PA further, and start to rebuild that institution before it is too late.

## Dire Situation

Sane voices in the United States, Europe, and the Arab world see the situation as as dire as Buttu describes.

“Abu Mazen has been elected the chief prisoner and his job will be to negotiate with the jailers the easing of conditions for the rest of the prisoners in the great national jail,” commented Edward Peck, a retired U.S. ambassador with extensive experience in Southwest Asia. Peck was speaking at a Jan. 12 press conference in Washington, D.C., with four other signators of an ad that appeared in *The Economist* magazine, arguing that the continued Israeli occupation of the Palestinian territories is harming U.S. interests in the region. Peck was also among the international observers of the Jan. 9 Palestinian elections, along with President Carter.

Peck expressed amazement that the Palestinians, after 38 years of occupation, were sufficiently cohesive that they were able to pull together an election in such a short time. However, the conditions under which the election took place won’t advance anybody’s interests, he said. “When you go there, and you see what is happening, what has happened, and what will happen, it becomes immediately very clear that that region will not know peace or security under any circumstances until there’s a major opportunity for the Palestinians to have something resembling a state which has never been offered.” He said that Israel, under Sharon, perceives that its self-interest is “to take as much Palestinian territory as they can get with the minimum number of Palestinians.”

In addition, “Arab and European officials” have warned the U.S. that if there is no change in its strategy after the elections, then Abu Mazen “would resign and a deadly civil war would break out in the territories,” wrote Arnon Regular, in the Jan. 13 *Ha’aretz*. These officials say the United States must ensure that Israel negotiate with the Palestinians to end the occupation, and that Bush should appoint a special envoy, preferably his father’s former Secretary of State, James Baker III. For his part, on Jan. 12, Baker, who previously called for Israel to release political prisoner Marwan Barghouti, head of Fateh in the West Bank, said in a speech at Rice University, that Israel should stop “requiring that all terrorist activities cease in advance of any peace talks,” and should immediately return to negotiations.



# South African President Mbeki, in Sudan, Scores British Colonialism

by Lawrence K. Freeman

South African President Thabo Mbeki carried out a brilliant flanking maneuver against the legacy of British colonial/imperial practices when he spoke before the Sudanese National Assembly on New Year's Day. For several months, members of the United States Congress, British Prime Minister Tony Blair, and Western media outlets have been attempting to whip up popular opinion into a frenzy against the government of Sudan over allegations of genocide in Darfur, in western Sudan. Instead of picking sides in this conflict, President Mbeki instead accurately changed the topic to the methods used by the British Empire against people of Sudan and South Africa in the 19th and 20th Centuries, which set up the present-day conflicts in the first place, pitting "Arab Muslims" against "indigenous Africans."

In his speech Mbeki identified three leading military representatives of British colonialism, who participated in the racist-genocidal policies to keep Africans in enforced backwardness. By bringing up the name of British General Charles "Chinese" Gordon, the Governor General of Sudan, who lost his head (literally), when the Mahdist (Islamic) forces first achieved independence from British control, Mbeki broke up the controlled environment surrounding the crisis in Darfur. Mbeki surely knew that the mere mention of the defeat of Chinese Gordon in 1885 still drives the British aristocracy into fits of rage.

Then, Mbeki dropped a bombshell. "The last personality I would like to mention is Winston Churchill, who served under Lord Kitchner. . . ." Churchill, who traveled to Sudan as a reporter with Kitchner, later wrote of the excitement he experienced when he watched as Kitchner's forces slaughtered 40,000 Mahdists, as the British bloodily re-conquered Sudan in 1898. Capturing the racist hatred the British have towards the Sudanese believers in Islam, Mbeki quoted Churchill, as he compared the followers of Islam to a dog with rabies.

Rather than backing one side against the other in the conflict being orchestrated in western Sudan, Mbeki discussed how Sudan and his own South Africa have both "suffered from our shared colonial past, the terrible legacy of countries deeply divided on the basis of race, color, culture, and religion." Mbeki understands that Sudan, South Africa, and the rest of sub-Saharan Africa, are still battling the deliberate

policy of genocide carried out by the heirs of Gordon, Kitchner, and Churchill, as they use the tensions and antagonisms built up in Africa by British colonial method, to facilitate the looting of its natural resources.

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## Documentation

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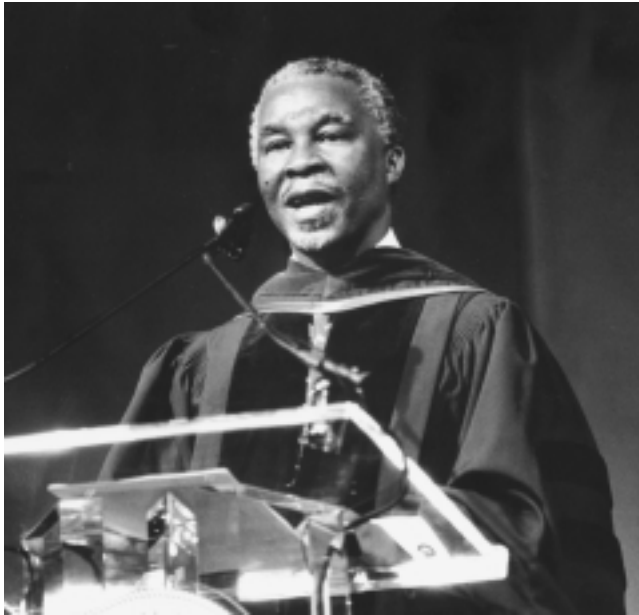
*Here are excerpts from President Mbeki's speech to the Sudanese National Assembly on Jan. 1, 2005.*

My delegation and I are honored to have the possibility to join you and the rest of the Sudanese people as you celebrate your 49th Day of Independence. . . . I believe there is a particular poignancy that attaches to the fact that it is we, South Africans, rather than any other Africans, who have the privilege to stand here today to wish you a happy birthday! You were the first among the countries of Sub-Saharan Africa to gain independence from colonialism, opening the way towards the total liquidation of colonialism and apartheid on our continent. We were the last to achieve liberation from white minority rule and apartheid, marking the conclusion of the work you had started, of the final abolition of colonialism in Africa. . . .

But perhaps . . . we should step backwards briefly to look into our shared colonial past, once again to make the point that there are many factors that should propel us towards common action. I am certain that even the school learners of this country will be familiar with certain names drawn from, and representative of, Sudan's colonial past.

I refer here to such a name as the British General Gordon, whose colonial war ended when he perished here in Khartoum at the hands of Sudanese patriots. I refer to the British Field Marshall Viscount Wolseley, described in his country as "a gallant man, an earnest soldier, . . . one of the greatest military products of the Nineteenth Century," who, however earnest he may have been, arrived too late to save his compatriot, who, strangely, became known as Gordon of Khartoum.

I refer also to another British soldier, Lord Kitchener, who led the colonial army that defeated the patriotic Mahdist forces at Omdurman in 1898, and occupied Khartoum, which



*Speaking in Sudan on its Independence Day, Jan. 1, South African President Thabo Mbeki singled out Winston Churchill, and three British military leaders of the colonial era, for deliberately creating the kinds of antagonisms in Sudan and South Africa, which those nations are still struggling to overcome in order to successfully develop. Here, Mbeki in Washington in 2000.*

Wolseley could not capture and in which Gordon died.

The last British personality I would like to mention is Winston Churchill, who served under Lord Kitchener, and wrote the famous account of the colonising exploits of Kitchener in Sudan in the book entitled *The River War*.

Let me quote a short paragraph from this book, which quotation tells the whole story about what our colonial masters thought of us. Churchill wrote:

“How dreadful are the curses which Mohammedanism lays on its votaries! Besides the fanatical frenzy, which is dangerous in a man as hydrophobia in a dog, there is this fearful fatalistic apathy. The effects are apparent in many countries. Improvident habits, slovenly systems of agriculture, sluggish methods of commerce, and insecurity of property exist wherever the followers of the Prophet rule or live. A degraded sensualism deprives this life of its grace and refinement; the next of its dignity and sanctity.”

What Churchill said about Mohammedans was of course precisely what our colonizers thought about all Africans, whether Muslim or not. And this attitude conditioned what they did as part of their colonial project, including what their soldiers, such as Gordon, Wolseley and Kitchener did to those they sought to colonize.

Perhaps you are wondering why I make this brief excursion into Sudanese colonial history. In reality, it was also an excursion into our own, South African, colonial history. The same British names I have mentioned also appear in our own colonial history. To some extent we can say that when these

eminent representatives of British colonialism were not in Sudan, they were in South Africa, and vice versa, doing terrible things wherever they went, justifying what they did by defining the native peoples of Africa as savages that had to be civilized even against their will.

Gordon came to South Africa to advise the British colonial power on its wars against our people. Wolseley came to lead the British forces to crush the Zulu people. Kitchener came to introduce the scorched earth policy during the Anglo-Boer or South African War, that resulted in the first emergence of concentration camps, and the conduct of open warfare against women, children, and the elderly, to force their armed husbands, fathers, sons, and brothers to sue for peace, as did the Boers in 1902.

And Churchill came to South Africa, as he did to Sudan, to serve under Kitchener, and write for the British press.

In the end, the point I am making is that our shared colonial past left both of us with a common and terrible legacy of countries deeply divided on the basis of race, color, culture, and religion. But surely, that shared colonial past must also tell us that we probably need to work together to share the burden of building the post-colonial future.

In any case, whether in 1956, when you gained your independence, or in 1994, when we achieved our emancipation, we had to answer the same question—what kind of societies should we build, given not only the fact of their diversity, but also the tensions and antagonisms that existed among its diverse parts?

You have spent fully half a century searching for an answer to this question, if we take into account that the war in the South first broke out in 1955. We have spent a mere decade striving, like you, to find sustainable answers to the same question.

You have had to deal with the challenge of a protracted military conflict in the South, a new conflict in the West and tensions in the East and North and elsewhere in this great and major country of Africa.

Whatever the immediate origin of these actual and potential conflicts, the fact they exist or are threatening tells the common story that we still have not found the answer to the question—what kind of Sudanese society should we build, given not only the fact of its diversity, but also the tensions and antagonisms that have existed among its diverse parts? . . .

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# Rumsfeld Prepares ‘One, Two, Many Pinochets’ in the Americas

by Gretchen Small

With the Bush Administration advocating the use of indefinite detention without trial, torture, and the use of “hunter-killer” death squads to hunt down terrorists wherever they be, should it come as a surprise that the same Administration has begun laying the groundwork for a return to military rule in the Americas? Or, that it is out to transform the militaries of its neighbors from being national institutions into regional divisions of the Administration’s modern version of the foreign legions of Hitler’s *Waffen SS*?

This policy drive is the context in which to evaluate the battle which erupted at the VI Defense Ministerial of the Americas, in Quito, Ecuador Nov. 17-18, 2004. Since the first such ministerial was held in Williamsburg, Va. in 1995, these biennial summits of the Defense Ministers of the region have been used to set a hemisphere-wide security and defense agenda.

A well-informed professor at a U.S. military academy warned *EIR* in December that what he had heard about the discussions at the Quito Defense Ministerial, indicated to him a move by the Bush Administration to back a series of right-wing military coups in the region. Consulted on this evaluation, a South American military officer based in Washington, D.C., but with access to the discussions in Quito, responded adamantly: “That’s right.”

Others, fearful of facing up to the fascist nature of the Bush Administration, insist no such intent is conceivable. But clinging to less frightening interpretations of plain facts will induce leaders of the Americas to walk into the traps set for them.

## Rumsfeld Leads the Charge

The discussion at the Quito defense summit was held largely behind closed doors, but U.S. Defense Secretary Donald Rumsfeld’s brief, carefully worded public address to the meeting reveals precisely the above intention.

Under the banner of “fighting terrorism,” Rumsfeld marched in with two demands:

1. The military in the region must play a role in domestic law enforcement, and police forces must be militarized, to join with them in “the battle against terrorism.” Several South American countries banned any such domestic military role in the aftermath of the 1970s military governments. The Bush

team argues that the time has come to reverse this. Nor is the United States excluded from this dictatorship drive: In his public address, Rumsfeld cited the United States’s own “re-examination of the relationships between our military and our law enforcement responsibilities” in the wake of Sept. 11, 2001, as exemplary of what is needed.

2. A standing, inter-American military force must be created to police the region. Rumsfeld cited the earlier PANAMAX 2004 exercises, in which nine nations held naval “anti-terrorism” exercises around the Panama Canal, and the fact that Ibero-American nations had joined to form the United Nations peacekeeping force operating in Haiti today, as important precedents for what must come next.

That the policy is to create a force of jackals to level the ground for the “economic hitmen,” was essentially admitted by a senior U.S. defense official travelling with Rumsfeld, who briefed reporters on Nov. 17: “This bodes well for a free-trade agreement. . . . Security is what creates the conditions for investment.”

As he had in the previous Defense Ministerial in Santiago, Chile in 2002, Rumsfeld raised the specter of terrorists lurking in “ungoverned areas” of countries, as the pretext for the creation of a supranational regional military force. “The new threats of the 21st Century recognize no borders,” Rumsfeld reiterated in Quito. “Terrorists, drug-traffickers, hostage-takers, and criminal gangs form an anti-social combination that increasingly seeks to destabilize civil societies. These enemies often find shelter in border regions or areas beyond the effective reach of government. They watch, they probe, looking for areas of vulnerability, for weaknesses, and for seams in our collective security arrangements that they can try to exploit.” Thus, the “seams in our collective security arrangements” must be sealed.

In Santiago, Rumsfeld made explicit that a regional “capability” was required to target the “unoccupied parts of countries.” To get this underway, he proposed an initiative to foster regional naval cooperation. Two years later, he happily announced that the naval initiative, in which PANAMAX was but a start, had now been formalized under the name of “Enduring Friendship.”

His call in Santiago for the region to “explore” the possibility of a standing regional military “capability” ran into a

brick wall. No country, two years ago, could politically afford to back the latter proposal, which foreign financier interests have been trying to force down the throats of the Ibero-American nations since the death of Franklin Delano Roosevelt. The idea was defeated again at Quito, but its adherents are growing. The Colombian government—facing the gravest narcoterrorist insurgency on the continent, and dependent upon U.S. aid for even the gasoline needed to fly its airplanes—fronted for Rumsfeld's proposal. Colombian Defense Minister Jorge Uribe told a press conference on Nov. 18 that "sooner or later, we in the Americas will have to form a group made up of different countries to defend ourselves from narco-terrorism, and to fight it mutually." He suggested the force be "made up of military personnel from different countries, who want to collaborate" in what he called "globalized security."

U.S. military sources favorable to the Rumsfeld plan insist Chile's Lagos government is coming on board, seduced by the belief that Chile will attain a more important role in global politics by playing ball with the Bush-Cheney military plan. They have yet to publicly endorse the supranational military force, but Chilean Defense Minister Jaime Ravinet de la Fuente took the lead in echoing Rumsfeld at Quito, saying "new threats" lurking in places left unprotected by governments require that the Organization of American States create new permanent structures for collective security.

According to one U.S. military source, Rumsfeld's message to South America at Quito was: Play ball, or else. The Central Americans obeyed, announcing in Quito they will form a composite battalion to deploy into Haiti as a single unit. That's a first, setting a precedent Rumsfeld likes, the source said. Rumsfeld's message to the South Americans was: Do what the Central Americans are doing. You Brazilians want a seat on the UN Security Council? Put your money where your mouth is. Brazil heads the Ibero-American forces which make up the UN peacekeeping force in Haiti, but that's not enough. "They need to do something more formal, and something more permanent than the ad-hoc, piecemeal sort of thing which exists now."

## **No Security Without Economic Progress**

Playing into the hands of the Cheney-Rumsfeld drive, is the reality that economic breakdown has brought whole sections of Ibero-America and the Caribbean to the point of disintegration and civil war. The Christmas massacre in Honduras of dozens of innocent women and children on a public bus, exemplifies the collapse of civilized life which is terrifying peoples across the Americas, as hundreds of thousands of abandoned youth are recruited as shocktroops for organized crime. Disintegration has reached the point in several cases, that the continued existence of the nation itself is called into question, as seen most dramatically in Bolivia's battle against the efforts of foreign financier forces to split it apart. Out of

desperation, discussion has resumed of turning to the military to attempt to restore a semblance of order.

Yet, while the past three decades of International Monetary Fund dictates have eliminated the effective sovereignty of the Ibero-American nations, the concept of sovereignty as a *right* of all nations, is still fiercely defended; most recognize that the creation of a standing supranational military force in the region would deal the final death blow to national sovereignty in the Americas. Thus, Rumsfeld ran into militant opposition in Quito from the majority of the countries of the region.

Brazil took the point in opposing Rumsfeld, with support from Argentina, Mexico, Ecuador, Bolivia, and Venezuela. Heading the Brazilian delegation was Vice President José Alençar, who had been named Defense Minister just nine days before the Quito summit. One by one, leaders from these countries, and others, stood to insist that the only way to fight terrorism is to increase democracy, and relieve the misery and hunger afflicting the majority of their peoples. "Just as terrorism is a threat, so, also, is hunger and social inequality. When we eliminate these, we will have better days," Panamanian Defense Minister Héctor Alemán summarized the case.

In his formal address to the summit, Alençar delivered a point-by-point answer to those proposing the Ibero-American military and police be turned into domestic and regional strikeforces against 'terrorism.' "Some favor the use of force to combat the so-called 'new threats' represented by international terrorism and the proliferation of weapons of mass destruction," he declared. "Others, such as ourselves, defend cooperation to fight structural threats, reflected in extreme poverty, hunger, increase in inequality, humanitarian crises, propagation of infectious diseases. As has been pointed out by President Lula, 'a world where hunger and poverty predominate, cannot be a peaceful world.' "

Echoing the philosophy inspiring Franklin Roosevelt's drive to defeat Nazism in World War II, Alençar argued that the fight against terrorism must be carried out in the framework of "strict observance of international law, especially humanitarian law and the universally recognized basic freedoms. The fight against terrorism, to be effective, must transcend merely repressive aspects, driving against certain situations of exclusion and injustice which feed—but in no way justify—extremist attitudes. There is no political security without economic security, and there is no sustainable economic security without social justice."

Thus, he specified, Brazil is opposed to expanding the powers of the Inter-American Defense Board beyond the role for which it was designed: "a technical-military advisory body to the Organization of American States, without operational functions." We have decided multilaterally that there would be "no body in the Inter-American area with a mandate to deliberate on military interventions or to establish peace-keeping missions. These attributes are the exclusive prerogative of the United Nations Security Council."

# The Sphinx and the Gladiators: How Neo-Fascists Steered the Red Brigades

by Claudio Celani

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### **La Sfinge delle Brigate Rosse (The Sphinx of the Red Brigades)**

by Sergio Flamigni

Milan: KAOS Edizioni, 2004

362 pages, paperback, 19 euros (\$23.18)

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Former Senator and anti-terrorist expert Sergio Flamigni's latest book reveals new evidence that the Red Brigades terrorist group, which was responsible for assassination of Christian Democratic leader Aldo Moro in 1978, and other murderous acts, was directly steered by Gladio-NATO circles. These circles were headed by the late Edgardo Sogno, an agent of the Anglo-American intelligence and special operations network, which was put together in Europe after World War II, by Allen Dulles, director of the OSS (Office of Strategic Services) and the CIA.

Sogno (Count Edgardo Sogno Rata del Vallino) was an aristocrat from Piedmont, a member of the P2 secret Masonic lodge who, like P2 Grandmaster Licio Gelli, fought in the Spanish Civil War on the side of fascist dictator Francisco Franco. In 1943, shortly before Mussolini's fall, Sogno went over to British Special Operations Executive head McCaffery, under whose supervision he built a Stay Behind (resistance) organization called the "Franchi Brigade." McCaffery introduced him to OSS head Allen Dulles, who, when Sogno was captured by the Wehrmacht, intervened personally with SS General Karl Wolff to have Sogno released. This occurred in the context of the Dulles-Wolff negotiations, which gave birth to the famous "Ratline" rescue of former Nazi SS members, and their recruitment into post-war NATO intelligence and special operation forces.

In the postwar period, Sogno had a diplomatic career as attaché and ambassador in several countries, including Argentina, France, and the United States. He was a close friend of NATO Secretary General Manlio Brosio. In 1950, Sogno began to build a paramilitary anti-communist organization called "Atlantici d'Italia," under the mandate of Interior Minister Mario Scelba, which is considered to have been an em-

bryo of the future Gladio. In 1953, after attending a program on psychological warfare at the NATO Defense College in Paris, Sogno built a public anti-communist organization called "Pace e Libertà," on the model of the French "Paix et Liberté," founded by former collaborationists in Paris, with the support of the French government.

In 1970, the year of the birth of the Red Brigades, Sogno founded another organization, called "Comitati di Resistenza Democratica" (CRD). Members of CRD and the NATO Stay Behind organization, Gladio, overlap. As Sogno himself revealed in a later interview, CRD members took an oath that they would physically eliminate political leaders who compromised with the Italian Communist Party.

In 1974, Sogno attempted a coup d'état, which was discovered and prevented by then Defense Minister Giulio Andreotti, who removed several military commanders. Eventually, Sogno was prosecuted and acquitted. He died in 2000. In his autobiography, published after his death, he confessed that the coup attempt was a real one.

### **Sogno's Enemy, Aldo Moro**

Sergio Flamigni has written seven books on the Moro case. In his capacity as former Senator and member of several Parliamentary investigating committees, he has access to classified material and police sources. Additionally, he has personally interviewed several former terrorists and witnesses. Flamigni, who during the 1978 events was a member of the secretariat of the Italian Communist Party (PCI) under Enrico Berlinguer, Moro's main partner in the policy of "national solidarity," has made it his life's mission to search for the truth of the Moro case.

In his previous books, Flamigni reconstructed the history of how Moro's policy was opposed by an Anglo-American faction represented by then-Secretary of State Henry Kissinger, and how a NATO-controlled secret organization, the P2 freemasonic lodge, controlled all the police and intelligence structures which were in charge of finding Moro's kidnapers and the location of his prison. He has insisted that the so-called "Red Brigades" were in reality a front for such Anglo-American circles, which found allies in a strong Italian network that was centered on the oligarchical and financial cir-



*Former Senator Flamigni's book documents how Red Brigades head Mario Moretti, whom he calls the "sphinx" for his silence on the matter, was an agent of the fascist Gladio-NATO circles.*

cles which had promoted and supported Mussolini's fascist regime.

In his 1999 book, *Il Covo di Stato*, Flamigni recognized what the LaRouche organization had already, in September 1978, singled out: an oligarchical connection around the Caetani family, a fact that investigators picked up only 20 years later. Aldo Moro was kidnapped on Feb. 16, 1978, the day when the fruit of his political work, a government of "national solidarity," with the active support of the PCI, was supposed to be voted in Parliament. Moro's strategy was to help the PCI break off completely with Moscow and recognize the Atlantic Alliance (actually what the PCI did). In this way, Italy would gain full sovereignty over its political system, free from blackmail attempts alleging that any reform policies were "pro-communist." The Red Brigades commando that kidnapped Moro, led by Mario Moretti, kept him a prisoner for 55 days, and ultimately killed him on May 9, 1978.

### **Sogno and the Red Brigades**

In his latest book, Flamigni reconstructs how the "hard-liner" faction which took control of the "leftist" Red Brigades in 1974, was, in reality, steered by the NATO-controlled Sogno organization. In particular, Mario Moretti, the man who organized and led the kidnapping and assassination of Aldo Moro, was part of a group, headed by one Corrado Simioni, which was under control of the Sogno-NATO organization. As early as 1970, when the Red Brigades were founded, this group pushed for immediate murderous actions. The Moretti-Simioni group was initially defeated by the faction led by Renato Curcio and Alberto Franceschini, who rejected murderous actions. Eventually, Simioni and others split the Curcio-led Red Brigades and founded their own clandestine organization, "Superclan" (an abbreviation of "Super-clan-

destine"), which was conceived to take over the Red Brigades from the outside, leaving Moretti as their puppet in the Red Brigades.

In 1974, the entire leadership of the Red Brigades was arrested—except Moretti. Moretti was supposed to be at the Red Brigades meeting place, but apparently someone informed him of the police operation. From that moment on, Moretti became the head of the Red Brigades, and started to plan the Moro operation, under strict Superclan-NATO directions.

Moretti was arrested in 1981, apparently by accident. The police official who conducted the operation has been persecuted. Moretti got six life sentences for murder, and never cooperated with investigators, but was paroled after less than 15 years. Former State President Francesco Cossiga, among others, has pushed for a pardon. Today, Moretti is a free man and has a job in a firm owned by the Lombardy region.

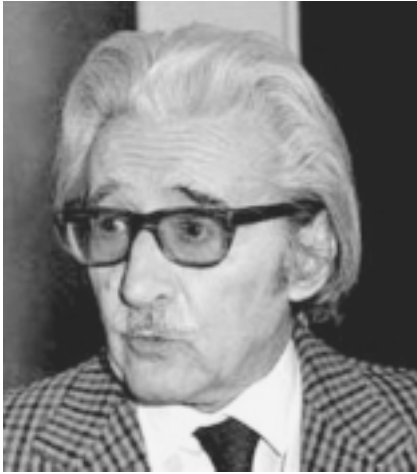
### **The Superclan and the Sogno Organization**

In 1974, shortly before the Red Brigades leaders (minus Moretti) were arrested, somebody inside the group had discovered the connection between Simioni and the Sogno organization. On May 2 of that year, a Red Brigades commando broke into Sogno's CRD offices in Milan, and seized files and important documents. By looking through those papers, Renato Curcio's wife, Mara Cagol, and Franceschini found a reference to one Roberto Dotti, a founding member of the CRD who had died in 1971. At that point, Cagol remembered that in the early phase of the Red Brigades, Simioni had introduced her to a person with the same name, and was told that this man should keep files on all members of the newborn "revolutionary" organization. It then became vital for Cagol and Franceschini, who already suspected that some agency had infiltrated the Red Brigades, to cross-check that information.

Franceschini decided to look for a photo of Dotti, in order to establish whether the man whom Simioni introduced to Cagol was the same as the member of Sogno's CRD anti-communist brigades. Franceschini stole the funerary photograph on the grave of Roberto Dotti and showed it to Cagol, who had no doubts: It was one and the same person.

Since Cagol is dead, Franceschini is the only source for such a report today. As a bona fide witness, Franceschini is credible, contrary to Moretti and other Red Brigades members who still hide the truth about their terrorist past. Also, the fact that investigators found Dotti's grave photo in a Red Brigades hideout confirms part of his report. Nevertheless, an independent and conclusive confirmation of his report was needed.

It was Edgardo Sogno himself who came to help—from the afterworld! In the year 2000, soon after Sogno's death, an autobiographical interview was published, entitled "Biography of an Anti-communist," in which Sogno speaks about Roberto Dotti as co-founder of the CRD organization. Sogno then adds a detail, which had been independently supplied to Franceschini by Mara Cagol: Dotti was working as manager



*Count Edgardo Sogno Rata del Vallino ran the political operation that kidnapped and killed his enemy, Christian Democratic leader Aldo Moro.*

of a restaurant in Milan, called Terrazza Martini. It was in the Terrazza Martini, Franceschini had reported, that Cagol was introduced to Dotti by Simioni. Simioni introduced Dotti as the manager of the restaurant and as “a former communist partisan.” From Sogno, and from police reports produced by Flamigni, we know that Dotti had been, indeed, a member of the Resistance in the Communist Party in Turin, but had left the party in 1952.

In light of such a reconstruction, a series of other “coincidences” acquire a dramatic significance: In 1970, Moretti moved out of the commune where he lived in Milan, and rented a flat in the same street where Roberto Dotti lived. His immediate neighbor was the head of Milan’s political police, Antonino Allegra, a member of the P2. His wife’s parents lived around the corner, in a building where another leading member of the CRD, Luigi Cavallo, ran the CRD political activities.

When Moretti moved to Rome in 1975, to plan the Moro operation, he rented a flat at 96 Via Gradoli, a building where half of the flats were owned by the secret service. His immediate neighbor was a police informant; and right in front of the building lived a police officer, who not only was a member of the military intelligence services, but came from the same birthplace as Moretti, the small central Italian town of Porto San Giorgio, where everybody knows everybody else. During the Moro kidnapping, despite the fact that Moretti’s identity as a terrorist was known to the police, he succeeded in escaping the attention of this density of police and intelligence structures. Two times, investigators knocked at the door of his flat, but, strangely enough, they did not break in.

Finally, police broke into Moretti’s hideout in Via Gradoli—but someone had taken care that the break-in was adequately broadcast in the media, in order to warn Moretti, and he was not there.

Ultimately, Moretti has cleverly protected the real truth of the Moro operation. Since his arrest in 1981, he has refused to take the stand in six trials; in 1994, he supplied a fake

version of the events in an interview, which was part of a strategy for granting him parole.

## **Moretti the Neo-Fascist**

Was Moretti an intelligence operative from the beginning? This question, originally raised by “older generation” Red Brigades leader Franceschini, is answered with the astonishing evidence presented in Flamigni’s book. Investigating Moretti’s early life, Flamigni has discovered that the future “communist revolutionary” was, in his youth, a militant neofascist! Former school comrades, as well as Moretti’s teachers, have independently confirmed that Moretti was such a fanatic neofascist that he would wear the fascist hat, the Fez, during schooltime.

Digging more into Moretti’s past, Flamigni has discovered a key connection to an important aristocratic family, the Casati Stampa, which was part of Sogno’s political faction. It was the Marchesa Annamaria Casati Stampa who paid for Moretti’s high school education in a boarding school in Fermo, near Moretti’s home town, Porto San Giorgio, and who recommended Moretti for a job in a Milan firm, Sit Siemens. The reason for the Marchesa’s interest in Moretti is probably explained by the Marchesa’s perverse sexual habits: She used to hire young boys, usually from the neo-fascist milieu, to satisfy her sexual appetites in the presence of her husband. The story had a brutal end on Aug. 30, 1970, when Marquis Camillo, in a rapture, shot both his wife and her last sex toy, the young neofascist Massimo Minorenti, and then shot himself.

It is to be presumed that Moretti had been part of the Marchesa’s sex toy box, the first step in his initiation to become a hit man.

The Casati Stampa family is a typical representative of the “slime mold,” the oligarchical power system where, as Lyndon LaRouche says, you can be a liberal on Sunday and a fascist on Monday. Marquis Camillo’s uncle, Alessandro, had been Education Minister in the first Mussolini government, in 1924, a coalition government in which Casati represented the Liberal Party. In 1943, Alessandro Casati was part of the Comitati di Liberazione Nazionale, the leadership body of the armed Resistance; and in 1944, he was War Minister in the Bonomi cabinet, the first non-military government under the Monarchy and after the ousting of Mussolini. Historically, the Casati Stampa family is part of the Milanese liberal aristocracy, but in Rome, they are associated with the so-called “Black Nobility,” the reactionary element in the Vatican.

The closest friend of the Casati Stampa family, the man who became tutor of the young Marchesina Anna after the dramatic death of her parents, was one Giorgio Bergamasco, a Liberal Party Senator who was among the founders of Sogno’s Comitati di Resistenza Democratica. Bergamasco performed his tutor obligations in a singular way: Together with the family lawyer, Cesare Previti, he organized the sale of the

family residence, the Villa San Martino in Arcore (Milan), for a fraction of its market price, to another client of Previti, media magnate and future Prime Minister, Silvio Berlusconi. Previti would become Defense Minister in Berlusconi's first cabinet in 1994. In 2004 he was sentenced to 11 years for bribery. In 1970, when Sogno founded the CRD organization, together with Casati Stampa's tutor, Senator Bergamasco, Casati Stampa's protégé Moretti became a leftist and attended the founding meetings of the Red Brigades.

## NATO and Terrorism

As stated at the outset, the Italian "slime mold" oligarchy is integral to an international pro-fascist network, which was activated in a new form as part of the Cold War "anti-communist" apparatus, under the direction of the Dulles faction of Anglo-American power circles, through NATO structures. Sogno himself reports how in 1953, after attending a program on psychological warfare at the NATO Defense College in Paris, he founded the organization "Pace e Libertà" on the model of the French one, which was led by Jean Paul David and fascist collaborationist Georges Albertini. Sogno then picks up his old contact with Allen Dulles, as he describes it:

"He [Dulles] had been introduced to me by McCaffery during the war, in Lausanne. Dulles was then head of OSS, Office of Strategic Studies, responsible for U.S. intelligence in Europe. . . . I then send the message to the CIA, and inform [Manlio] Brosio, who was Italian Ambassador in Washington. Dulles calls Brosio: 'What does Sogno want?' 'He did not say, but I believe he wants money.' 'Send him to me.' Thus, I go to Dulles. . . . Fifteen days later, Pizzoni, head of the Credito Italiano bank, calls me up and tells me: 'There is an envelope for you' . . . five or six millions, which then became ten per month and kept coming until 1958, when Pace e Libertà was terminated."

Manlio Brosio, the Ambassador to Washington, became NATO Secretary General in 1964. During his mandate at NATO, one of his secretaries participated with Simioni at the founding meeting of the Red Brigades. As Franceschini reports, "Among those who came to the meeting with him [Simioni], was one Sabina Longhi, whom Simioni introduced as his secretary, adding that she was a collaborator of NATO Secretary General Manlio Brosio, as if to say, we have our infiltrators too. The thing made me suspicious, but I calmed down thinking that it was a joke. Instead, it was true." In fact, many years later, prosecutors found out that Longhi had indeed been an aide to Brosio and had a NATO security pass.

One of the most striking aspects of the Moro case is that Aldo Moro, during his 55-day captivity, was interrogated by his kidnappers, and he revealed the existence of Gladio, the Nato "Stay-Behind" network. However, those revelations, which were a political bombshell in the hands of a self-professed "revolutionary" organization, were jealously kept secret by Moretti and company! Moro's writings on Gladio were discovered much later, in September 1990, one week

after Prime Minister Giulio Andreotti had revealed the existence of Gladio. Moretti's explanation ("We did not have the key to interpret those revelations") is ridiculous.

Investigators like Giovanni Pellegrino, chairman of the Parliamentary Investigating Committee on Terrorist Massacres from 1994 to 2000, are convinced that those Moro revelations were fatal, and tilted the balance in favor of the decision to kill him.

However, the death sentence against Moro had already been pronounced years in advance. In a 1990 interview with a journalist from the weekly magazine *Panorama*, Edgardo Sogno explains the oath taken in 1971 by the CRD organization: "We had taken the commitment of hitting those Italian traitors who would make a government with the communists. . . . we took the commitment to shoot against those who would make the government with the communists." The journalist asks, "Did you say shoot, Ambassador, shoot?" Sogno's answer, "Yes, shoot." End of the interview.

And in 1976, during a visit to Washington, Moro was personally threatened by Kissinger, who warned him that if he did not drop his "national solidarity" policy, he would come to a bad end.

## One Matrix: Gladio and Sogno's Organization

Was the Moro operation run by Gladio? Was Moretti a member of Gladio? Was Gladio the same thing as the old Sogno organization?

Flamigni has little doubt on this issue. "Gladio and Sogno's organization have the same matrix," he told this author, pointing to the overlapping of membership of the two organizations and its nature. For instance, among the CRD members who signed the famous obituary for Roberto Dotti published in 1971, there is one Francesco Girona, who is today the official spokesman of the Association of former Gladio members. Like Sogno and most Gladio members, Girona has been trained in psychological warfare.

And then, Flamigni continued, "a very strange thing": "Since the beginning of his political activities, Sogno has always kept a high profile. He has been very frequently in the media, made public statements, and so on. But during the 55 days of Moro's captivity, he did not utter one word. In that period, everyone, not just institutional or party leaders, released statements, gave interviews, said something, but Sogno kept silent. . . . I have studied the figure in depth. I read classified papers, still in the archives of the Parliament Committees. I have read intelligence and police reports on him. Among the CRD people there was somebody who reported everything to police agencies. He is a real 'golpista,' a reactionary. Maybe that is the reason why he ultimately wanted to tell the truth, in his biography, and confessed that his 1974 coup attempt was a real one."

In 2000, when he died, Sogno was buried with a state ceremony, decided by a center-left government run by Giuliano Amato.



# Gonzales Must Be Questioned About Rumsfeld Death Squads

by Edward Spannaus

New revelations coming out about the “death squads” being created by Defense Secretary Donald Rumsfeld make it imperative that the Senate Judiciary Committee recall Alberto Gonzales for questioning concerning his role in providing the legal justification for these hit-teams. It is indisputable that the legal opinions which Gonzales, as White House Counsel, approved and submitted to the President—contending that the President has virtually unlimited powers in wartime to override laws and treaties, even those prohibiting torture—laid the basis for the use of these “hunter-killer” teams championed by Rumsfeld, and for the practice of “extraordinary rendition” being attributed to the CIA.

Yet these issues were scarcely touched upon, during the Senate Judiciary Committee’s Jan. 6 hearing on the nomination of Gonzales to become Attorney General of the United States. The hearing, which had been scheduled to last for two days, was rushed through and completed in just one day—very likely because the White House and Senate Republicans are fearful that some new scandal or set of documents will emerge and blow the whole process up. This was the view of a number of sources consulted by this news service; one, who was directly involved in the hearings, says that there were rumblings that “there is something big out there,” which the Republicans are afraid of.

## ‘The Salvador Option’

It was known at the time of the hearing, that some major leaks would be coming out containing revelations on Rumsfeld’s plans for expanding the use of the combined military Special Forces and CIA “hunter-killer” teams, which Rumsfeld set into motion in the period immediately following Sept. 11, 2001. The most definitive account of this secret program, and its direct connection to the publicized torture and abuse of prisoners at Abu Ghraib, Iraq, as well as in

Afghanistan, and at Guantanamo, has been provided in a series of articles, now in book form, by investigative reporter Seymour Hersh. It is anticipated the Hersh will be publishing an updated account of the death-squad operation, possibly as early as Jan. 15-16.

Meanwhile, *Newsweek* reported on Jan. 9, that the Pentagon, being desperate over the recognition that the United States is losing the war against the “insurgency” in Iraq, is now discussing what is called “The Salvador Option”: the creation of kidnapping and assassination teams, modelled on the death squads which were financed and supported by the U.S. in El Salvador in the 1980s, to hunt down leftist rebels and their sympathizers.

“Following that model,” *Newsweek* reports, “one Pentagon proposal would send Special Forces teams to advise, support, and possibly train Iraqi squads, most likely hand-picked Kurdish Peshmerga fighters and Shi’ite militiamen, to target Sunni insurgents and their sympathizers, even across the border into Syria, according to military insiders familiar with the discussions. It remains unclear, however, whether this would be a policy of assassination or so-called ‘snatch’ operations, in which the targets are sent to secret facilities for interrogation.”

However, one source told *EIR* that this scheme is already in effect, with death squads already having been deployed weeks ago, in the assault on Fallujah. Other well-placed U.S. and Israeli intelligence sources have reported that such U.S. units have been operating for the past year or more, and are, in some cases, working in conjunction with Israeli assassination squads. Israel has a longstanding policy of “preventive assassinations” of Palestinians “militants.”

Another aspect of the debate, is over whether the Department of Defense or the CIA should carry out these operations. The DOD is subject to the Uniform Code of Military Justice

(UCMJ), which has gotten more attention in the wake of the torture scandals; the CIA is not subject to the Code, but does technically require a Presidential finding in order to conduct covert operations.

*Newsweek* describes this as part of Defense Secretary Rumsfeld's long-standing drive to take over the CIA's clandestine and paramilitary operations. "Rumsfeld's Pentagon has aggressively sought to build up its own intelligence-gathering and clandestine capability with an operation run by Defense Undersecretary Stephen Cambone," *Newsweek* reported.

Prior to the publication of the *Newsweek* account, *EIR* was told by an informed source, that, as a result of the post-9/11 restructuring, and pursuant to the exercise of Presidential authority, Rumsfeld had accelerated his drive to take complete control of the intelligence-gathering process as it involves covert and paramilitary operations. The new CIA Director Porter Goss has been "emasculated," and the CIA itself sidelined, somewhat in the same way that the State Department has become less and less important in the Bush-Cheney Administration.

The accumulation of power in the Pentagon, as regards intelligence-gathering and assessment, is "staggering," this source said, and he added that Rumsfeld is now preparing an aggressive expansion of covert operations, with authorization from the White House. This will include something like the 1970s Phoenix assassination program in Vietnam, which Rumsfeld now calls "eradication."

The only Senators who questioned Gonzales about any of this, were Richard Durbin (D-Ill.) and Edward Kennedy (D-Mass.), who were subject to the time constraints and cutoff of questioning imposed by committee chairman Arlen Specter.

Kennedy questioned Gonzales about a Justice Department memo prepared for Gonzales, which authorized the CIA to transport prisoners out of Iraq to other countries for the purpose of "facilitating interrogation." Even though the Fourth Geneva Convention prohibits the forcible transfer of persons from occupied territories, and defines this as a "grave breach" of the Convention and therefore a war crime, the Justice Department argument, approved by Gonzales, was that this prohibition does not apply to "foreign terrorists" in Iraq. (This is an absolute mischaracterization of the Fourth Geneva Convention, which applies to *everyone* within an occupied territory or country.)

When Kennedy asked Gonzales about the DOJ memo, and also about the question of "ghost detainees" (prisoners held incommunicado and "off the books," hidden from the International Red Cross), he claimed not to remember the circumstances of the CIA requesting the legal guidance, and asserted that "I don't have any knowledge about what the CIA or DOD is doing."

## Blaming the CIA

There is a bit of Rumsfeld subterfuge also going on, in attributing these operations to the CIA. It is believed by many



*President Bush with Alberto Gonzales, who is now the nominee for Attorney General. The legal opinions which Gonzales, as White House counsel, submitted to the President, contended that the President has virtually unlimited powers in wartime to override laws and treaties, even those prohibiting torture.*

sources, that the "rendition" operations are conducted under DOD auspices, just the same way that the special task forces formerly known as Task Forces 20 and 121 (now 6-26) included CIA operatives, but were run by the Pentagon. Specifically, this is run out of the office of the Deputy Secretary of Defense for Intelligence, Stephen Cambone, and his deputy, Gen. William "Jerry" Boykin.

An interesting confirmation of this came in a Jan. 8 *Chicago Tribune* story, one of a number of such stories reporting on efforts to trace the Gulfstream executive jet that has been used to transport suspected al-Qaeda operatives to third countries such as Egypt and Syria, where they have been tortured. All previous accounts of the "mystery jet" described it as owned and operated by the CIA, under a set of untraceable cover names and corporate shells. However, the *Tribune* cites a retired CIA officer saying that the jet is operated by the Joint Special Operations Command. JSOC is based at Ft. Bragg in North Carolina, and is the coordinating agency for all military special operations forces and operations.

## Gonzales: The Facilitator

Of a piece with Gonzales's approval of death squads and torture, is his earlier conduct when he was counsel to then-Gov. George W. Bush in Texas, in facilitating executions of death-row inmates. In both cases, Gonzales readily provided the twisted legal rationalizations for his boss's indifference

to death and suffering.

It has now been shown, that when Gonzales told the Senate Judiciary Committee that the reason that his “death penalty memos” to Governor Bush were so truncated, was that he usually had “numerous discussions” and “a rolling series of discussions” with Bush about each execution, Gonzales “almost certainly crossed the line from half-truth to untruth.” writes Alan Berlow in the online *Salon* magazine.

This is demonstrated in the Jan. 14 edition of *Salon*, by Alan Berlow, the author of the noted 2003 *Atlantic Monthly* analysis of the Gonzales memos, which memos resulted in the execution of all 57 death-row inmates who were the subjects of his memos. Berlow had shown that the Gonzales memos were generally only a summary of the prosecution’s arguments, and repeatedly failed to mention the most important claims on the defendant’s behalf, including plausible claims of innocence.

“Because the written summaries were so thoroughly unprofessional,” Berlow wrote in *Salon*, “Gonzales no doubt felt he had to downplay their significance in his Senate testimony”—which he did by claiming that the memos were preceded by extensive discussions with Bush. But, says Berlow, Bush’s appointment logs only show one meeting per execution, which was almost always on the day of the execution. Gonzales also testified that if Bush “expressed questions or concerns . . . the governor would direct me to go back and find out and be absolutely sure.” Yet there is no record of any follow-up memos or report in any of the 57 cases.

Gonzales’s testimony, Berlow concludes, is “just not believable.”

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## Documentation

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### Admiral Hutson Opposes Gonzales Nomination

*Following is the testimony of Adm. John D. Hutson (ret.), opposing the nomination of Alberto Gonzales for Attorney General of the United States, presented to the Senate Judiciary Committee on Jan. 6, 2005. Admiral Hutson is currently the dean and president of the Franklin Pierce Law Center in Concord, New Hampshire. He served as a judge advocate in the United States Navy from 1972-2000, and was the Judge Advocate General of the Navy from 1997-2000.*

*The first section below is the opening of Admiral Hutson’s oral testimony to the hearing, which was restricted to ten minutes. The second part, following the asterisks, is taken from his full written testimony as submitted to the Committee.*

As Americans, we have been given many gifts by our Creator and our forebears. We hold these gifts in trust for our progeny and for mankind generally. One of these gifts is great military strength. This military prowess is enhanced by our legacy of strong advocacy for human rights for all human beings by virtue of their humanity alone, and by our long history of unwavering support and adherence to the rule of law.

These gifts come with a string attached. Like all gifts, there’s a responsibility to husband them. We must not squander them. Rather, we must nurture them, refine them and pass them on in even better condition than they were given to us. Generations of Americans have understood this responsibility and have accepted it.

In the wake of World War II, Truman, Eisenhower, Marshall, Senator [Carl] Vinson, and others fulfilled their part of that sacred trust. They had seen the horror of war, a horror that few of us have seen, but have only read about. They responded with programs like the Marshall Plan, and with international commitments like the Geneva Conventions. I believe that the Geneva Conventions are part of our legacy, not unlike the Bill of Rights, the Fourteenth Amendment, and *Brown v. Board of Education*. They demonstrate the goodness of the United States. They also demonstrate our strength and our military might. Even in the midst of that most awful of human endeavors—war—we should treat our enemies humanely, even when we have captured them. To do so is a sign of strength, not weakness. To not do so is a sign of desperation.

I come here to speak in opposition to the confirmation of Judge Gonzales, because he appears not to understand that. He finds the Geneva Conventions to be an impediment, a hindrance to our present efforts, quaint and obsolete in important respects. His analysis and understanding of the Geneva Conventions, which I discuss in detail in my written statement, is shallow, short-sighted, and dangerous. It’s wrong legally, morally, diplomatically, and practically. It endangers our troops in this war and future wars, and it makes our nation less safe.

My 28 years in the Navy tells me that his analysis of the Geneva Conventions and their applicability to the war in Afghanistan and the war on terror is particularly disturbing, because it indicates an utter disregard for the rule of law and human rights. Those are the reasons American fighting men and women shed their blood, and why we send them into battle. But if we win this battle and lose our soul in the process, we will have lost the war, and their sacrifices will have been for naught.

The Geneva Conventions have protected American troops from harm for many years. Our forces are more forward-deployed than any other nations’, in terms of numbers of deployments, locations to which they’re deployed, and the number of forces deployed. This has been the case since World War II, and will continue to be true. That’s because—because of that, there is no country for which adherence to the rule of law and to the Geneva Conventions is more impor-

tant than it is to the United States. It's our troops that benefit. Original U.S. proponents of the conventions saw them as a way to protect U.S. troops from the enemy, not the enemy from U.S. troops. It's good for our military if we—it's not good for our military if we now throw them over the side just because some people believe they're inconvenient to the present effort. This is only the present war. It's not the last war, it's not even the next-to-last war.

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... [War's] only value is to provide the time and space necessary for real solutions to take place—diplomatic, economic, political, and social. War is not a solution in itself and cannot be used to justify national misbehavior or loss of national integrity.

In disagreements or arguments between individuals, it is important that they not act in a manner that so poisons their relationship that it cannot recover. The same is true with nations. It's easy to act with integrity in peacetime when things are going smoothly. The true test of national integrity is in wartime. We must wage war in such a way that we are able ultimately to resume peace.

The Geneva Conventions envision an end to the hostilities and to the destruction of war. They envision a return to peace. They provide a framework for the conduct of the war that will enable the peace to be sustained and flourish. We must not be deterred just because our enemy in a war on terror doesn't comply with the Conventions. Our unilateral compliance will aid in the peace process. Moreover, it should have been understood that violations of the Conventions, or ignoring them, doesn't help bring an end to the war. To the contrary, as we have seen, this only adds ferocity to the fighting and lengthens the war by hardening the resolve of the enemy. Our flagrant disregard for the Conventions only serves as a recruiting poster for this enemy and for our enemies for generations to come.

For over half a century and many conflicts, the Geneva Conventions have served us well as the accepted rules of conduct in wartime, the Rule of Law with which civilized nations comply. They comply because they are nations of integrity. They also comply out of pure self-interest. Nations always act in what they believe to be their self-interest. They may miscalculate what their self-interest is, but they always act in what they believe it to be. It is in our self-interest is to comply with the Geneva Conventions under any circumstances. To do otherwise risks waging such an unlimited war that we are no longer perceived to be a nation that values the Rule of Law or supports human rights. Other nations learn from our actions more than our words. Moreover, if we move away from the Geneva Conventions and toward unlimited warfare, our own troops are imperiled in this war and future wars by our enemies, who will follow suit.

If the United States complies with the rules of conduct as

laid out by the Geneva Conventions, we can endeavor to force others, including our enemies, to comply as well.

The converse is also true. If we fail to live up to the aspirations of the Geneva Conventions, we will have served as the wrong kind of role model. We will have stepped down from the pulpit from which we can preach adherence to the Rule of Law in war.

In the wake of World War II, the U.S. leadership advocated the adoption and reaffirmation of the Conventions because they served the ultimate interest of the United States. Eisenhower, Truman, Marshall, Senator Vinson and others envisioned another step in the historical journey toward the quintessential oxymoron, civilized warfare. They supported the warfighting concepts contained in the Geneva Conventions because those rules would protect U.S. troops in the field. Their concern was to safeguard our troops from mistreatment by the enemy, not to protect the enemy from mistreatment by U.S. forces. Judge Gonzales's memorandum completely eviscerated the original vision of the Geneva Conventions.

Where GPW (Geneva Convention Relative to the Protection of Prisoners of War) talks about scrip, athletic uniforms, commissaries and the like, American proponents were thinking of the treatment we could demand for U.S. prisoners of war, not how we should avoid providing those amenities to enemy prisoners we held. Far from being quaint, these stand as bulwarks protecting U.S. troops who are captured.

Our disregard for the Conventions will likely deter potential future allies from joining us. If we comply with the Geneva Conventions only when it's convenient, who will fight alongside us? The answer is only other nations which also don't want to be hamstrung by so-called quaint and obsolete rules. We will become an outlaw nation that wages unlimited warfare, and only like-minded renegade nations will fight with us. In the past we have always insisted on compliance. We are a special nation in the history of the world and should be shouting from the rooftops that we will always insist that all our allies enforce those rules that serve to protect us all and demonstrate and preserve our humanity. Rather, we are leading the way in the other direction. That displays either a gross disregard or an abject lack of understanding for the implications of our actions.

Since World War II and looking into the foreseeable future, United States armed forces are more forward-deployed both in terms of numbers of deployments and numbers of troops than all other nations combined. What this means in practical terms is that adherence to the Geneva Conventions is more important to us than to any other nation. We should be the nation demanding adherence under any and all circumstances because we will benefit the most.

Instead, what we see in the January 2002 memo from Judge Gonzales and the other legal memoranda which were prepared during that time period from the Department of Justice and Department of Defense, is a short-sighted, narrow-



*Secretary of Defense Donald Rumsfeld visits Abu Ghraib prison in Iraq in the Summer of 2004, after the scandal broke over the torture being conducted at the prison. “For good or evil,” writes Admiral Hutson, “what starts at the top of the chain of command drops like a rock down the chain of command.”*

mindful, and overly legalistic analysis. It’s too clever by half, and frankly, just plain wrong. Wrong legally, morally, practically, and diplomatically.

The memo is incorrect in its conclusion that that Geneva Convention regarding POWs does not apply to the conflict in Afghanistan against the Taliban and their partners, al Qaeda. Afghanistan is a party to the Convention. The United States fought the Taliban as the de facto government of Afghanistan, in control of 90% of the country, and its armed forces as the “regular armed forces” of a party to the Convention. Those facts entitled Taliban and al Qaeda combatants from Afghanistan to a determination on a case-by-case basis of their status as prisoners of war. Moreover, any detainee not entitled to POW status is nevertheless entitled to basic humanitarian protections guaranteed by the Geneva Conventions and customary international law. This is the position taken by the State Department, but rejected by Judge Gonzales.

Judge Gonzales begins his rationale for this erroneous position by stating that the “war against terror is a new kind of war.” That may be. But the war in Afghanistan was not new in any fundamental way. The Geneva Conventions could be applied to that war without any great difficulty, just as we applied them in Iraq and every war we have fought since World War II. They are all new kinds of wars at the time you fight them, with new enemies, new weapon systems, and new tactics and strategies.

The Conventions are designed to apply in all armed conflict and the immediate aftermath of armed conflict. They are designed to apply to combatants—persons taking direct part in hostilities and regular members of the armed forces. There

simply is no case for concluding that the Geneva Conventions were obsolete regarding the war in Afghanistan. They formed the proper applicable law and concluding they did not was simply incorrect.

Although it may still be our self-interest, it is difficult to apply the Geneva Conventions to a terrorist when he is not taking part in an armed conflict because the Conventions were not intended to apply to those settings. Criminal law is designed to apply to violent, unlawful acts outside the situation of intense intergroup armed hostilities, i.e., war. Fundamentally, Judge Gonzales’s problems with the Geneva Conventions stem from his attempt to apply the wrong law to the problem of terrorism.

As he should have anticipated, but apparently didn’t, his error was compounded as the war on terror ex-

panded to Iraq and included American citizens as enemy combatants. Once he reduced his legal analysis to simply that the Geneva Conventions don’t apply to terrorists without explaining what law, if any, does apply, he created a downward spiral of unruliness from which we have not yet pulled out.

His memo is slightly over three pages long. Almost one full page is devoted to listing and rationalizing his two positive reasons for concluding the Conventions do not apply: preserving flexibility and “substantially reduce(ing) the threat of domestic criminal prosecution under the War Crimes Act (18 U.S.C. 2441).”

On less than one half page, 21 lines, Judge Gonzales lists seven reasons why they should apply or the impact of non-application (an action which he describes to the President as “. . .reconsideration and reversal of your decision. . .”) These are:

- since 1949 the United States has never denied their applicability;
- unless they apply, U.S. could not invoke the GPW if enemy forces threatened or in fact mistreated our forces;
- War Crimes Act could not be used against the enemy if they don’t apply;
- it would invoke “widespread condemnation among our allies and in some domestic quarters” for us to turn away from the Conventions;
- encourage other countries to look for technical “loopholes” in future conflicts;
- other countries would be less inclined to turn over terrorists or provide legal assistance to us;

And finally, and notable for its understatement,

- “A determination that GPW does not apply to al Qaeda and the Taliban could undermine U.S. military culture, which emphasizes maintaining the highest standards of conduct in combat, and could introduce an element of uncertainty in the status of adversaries.”

The paragraph of the memo which discusses the interplay between the Section 2441 of the War Crimes Act and the Geneva Conventions is particularly striking. To his credit, Judge Gonzalez is remarkably frank and candid. Without apparent embarrassment, he asserts as one of the chief reasons to not invoke the Conventions the argument that such action “reduces the threat of domestic criminal prosecution under the War Crimes Act (18 U.S.C. 2441).” He essentially opines that the Conventions create problems because “grave breaches” of the Conventions would constitute war crimes under the domestic legislation which, unlike the Conventions themselves, is enforceable in U.S. courts. He says, “. . . it would be difficult to predict with confidence what action might be deemed to constitute violations of the relevant provisions of the GPW.” He references as examples of this problem the difficulty he sees in defining such phrases from the Conventions as “outrages upon personal dignity” and “inhuman treatment.” Later in that paragraph he offers, “. . . it is difficult to predict the needs and circumstances that could arise in the course of the war on terrorism.”

His meaning is clear. We don’t want to implicate the War Crimes Act via “grave breaches” of the Geneva Conventions because we can’t predict whether we may need to engage in what may be defined as outrages on personal dignity and inhuman treatment during the war on terror. This is a stunning observation. It certainly undermines good order and discipline within the military. More importantly, if we can’t define those terms, how can we expect the enemy to do so? How can we ever demand that they not engage in such conduct, having now said the prohibitions are incapable of definition?

Although he doesn’t advocate the reasons with any strength or conviction, Judge Gonzales at least was able to identify the damage that following his advice would cause. Unfortunately, he fails utterly to comprehend the degree or consequences of that damage. Nor does he seem to appreciate the consequences of even advancing his ultimate conclusion: “I believe that the arguments for reconsideration and reversal are unpersuasive.”

Law is not practiced in a vacuum. It’s practiced in real life. The issues are real, affecting real people. They aren’t purely academic or just curious intellectual exercises.

A careful, honest reading reveals that the legal analysis of the January 2002 memo is very result-oriented. It appears to start with the conclusion that we don’t want the Geneva Conventions to apply in the present situation, and then it reverse-engineers the analysis to reach that conclusion. That approach may be appropriate for a criminal defense counsel who starts with the proposition that the client is not guilty and

figures out how to best present that case, but it is not the kind of legal thoughtfulness one would expect from the legal counsel to the Commander-in-Chief.

It is also very oriented to the immediate situation. It considers only the events at that moment in time and space. It fails to adequately consider the practical implications of characterizing the relevant provisions of the Geneva Conventions as “obsolete” and “quaint.” Once those words are written down they ring a bell that cannot be unrung. If the Geneva Conventions were obsolete and quaint in 2002, they are obsolete and quaint for all time. Those two words will come back to haunt us forever, or until the Conventions are “modernized.” The problem is that it’s a bit like going to war with the Army you have, not the Army you would like to have. These are the rules that we went to war with. We must make them work. We must live, or die, with them.

The Bush Administration should officially and unequivocally repudiate Judge Gonzales’s erroneous position on the applicability of the Geneva Conventions. It is not the case that the Conventions are obsolete in regulating armed conflict. Perhaps they can be improved and updated to deal with the new face of asymmetrical warfare, and the Administration should work for that, but in the meantime they are the binding law and they serve us well. If new international law is needed for the struggle against terrorism, then that law should be developed, too, but do not throw out the Geneva Conventions because his poor legal analysis couldn’t make them fit.

When I have spoken out publicly on these matters over the course of the last two years, often someone in the back of the room, or a caller on a radio talk show, pipes up with the argument that “they are all terrorists and look at what they have done to us.” I find that argument to be singularly unpersuasive and unbecoming of the United States. Judge Gonzales, however, echoes the argument when he says in the memo, “Finally, I note that our adversaries in several recent conflicts have not been deterred by GPW in their mistreatment of captured U.S. personnel, and terrorists will not follow GPW rules in any event.” That statement is both true and reprehensible coming from the President’s legal counsel. For that to be urged as a justification for not applying the Rule of Law in the war on terror is beneath the dignity and civility of the United States. Although more articulately stated than I generally hear it, it is the same argument I have come to expect from someone in the back of the room or an anonymous caller on talk radio.

The United States has supported the Geneva Conventions and urged other nations to do so for over half a century. Now, suddenly, they are characterized by the President’s counsel as quaint and obsolete. He argues they may impede our freedom to commit what might otherwise be violations of our own War Crimes Act; we don’t want this outdated international law to inhibit our ability to outrage human dignity and engage in inhuman treatment.

Judge Gonzales also bears responsibility, along with oth-

ers, for the other memoranda written to inform those in government and the military about the definitions of torture, defenses, and authority of the President acting as Commander-in-Chief. The Bybee and Yoo memoranda are chilling. They read as though they were written in another country, one that does not honor the Rule of Law or advocate on behalf of human rights. They contain an air of desperation: This is the worst war ever and justifies almost anything in order to win. The concept is that as long as you are a smart enough lawyer, you can find an argument to justify anything. Torture is limited to “inflict(ing) pain that is difficult to endure . . . equivalent in intensity to the pain accompanying serious physical injury, such as organ failure, impairment of bodily functions, or even death.” (Bybee Memo)

Even if you surpass that lofty standard, your defenses include “necessity” and “self-defense” (meaning defense of the nation, not personal self-defense). Basically, anything that inhibits the President’s discretion is unconstitutional and anything that carries it out is permitted.

No mention is made of U.S. military regulations. All services have their own regulations relating to these issues. The U.S. Army Field Manual 34-52 is representative. It states:

“U.S. policy expressly prohibits acts of violence or intimidation, including physical or mental torture, threats, insults, or exposure to inhumane treatment as a means of or aid to interrogation. Such illegal acts are not authorized and will not be condoned by the U.S. Army. Acts in violation of these prohibitions are criminal acts punishable under the U.C.M.J. If there is doubt as to the legality of a proposed form of interrogation not specifically authorized in this manual, the advice of the command judge advocate should be sought before using the method in question.”

Although Judge Gonzales would surely consider it quaint and obsolete, this is long-standing U.S. military doctrine.

Significantly, these opinions and legal arguments weren’t written in some law review article or in an op-ed piece to stimulate national debate. They were written to inform the President as Commander-in-Chief. Unfortunately, we saw the result of that kind of situational, shortsighted legal analysis.

This advice given to the President by Judge Gonzales was not offered with an eye to protecting American troops, as it may seem to be upon a superficial consideration. In both the short term and the long term, it doesn’t protect our armed forces, it imperils them. It enables them to engage in the sort of reprehensible conduct we have seen, and it will enable our enemy to also engage in such conduct with impunity.

There are two great spines that run down the back of military discipline. They are accountability and the chain of command. These profound concepts are separate, but related. The concept of accountability means that you may delegate authority, but you can never delegate responsibility. Responsibility always remains with the person in charge.

Who was responsible for the series of memoranda that

were drafted during that time which defined torture so narrowly and defenses so broadly, which argued that the President as Commander-in-Chief enjoys virtually unlimited power? Who failed to stand up and say this is not only bad law; it also fosters bad morals and therefore bad diplomacy, and it leaves our troops at risk? Taking this course will make the United States a less good, less secure, nation.

Who thought this was the single most important, awful war, past or future, and that that justified throwing out all the rules that good people had defended over the years, all for the sake of ill-advised expediency?

The chain of command enables the military to operate effectively and efficiently. For good or evil, what starts at the top of the chain of command drops like a rock down the chain of command. Soldiers, sailors, Marines, and airmen execute the orders of those at the top of the chain and adopt their attitude. Consequently, those at the top have a legal and moral responsibility to protect their subordinates. We don’t want the subordinates to feel compelled to second guess the legality, morality, or wisdom of what is decided above them in the chain of command.

If the message that is transmitted is that the Geneva Conventions don’t apply to the war on terror, then that is the message that will be executed. The law and over 200 years of U.S. military tradition say that those at the top are responsible for the consequences. Again, law isn’t practiced in a vacuum. It’s practiced in real life. This isn’t just a quaint academic exercise. It affects human beings and the world order.

The United States is now without a peer competitor. This places an awesome responsibility on us because there is no nation or coalition of nations that can forestall our national will. By and large, we can do what we want in the world if we rely solely on military might. Therefore, it is incumbent upon us to also rely on our integrity as a nation in making decisions about the role we will play. It doesn’t make us small or weak to voluntarily inhibit our free will; indeed, it is an indication of great strength and discipline. For generations we have justifiably served as a role model for other nations. We have been a paragon of human rights and the world’s leading advocate for the Rule of Law. We must not step back from that role now. We must also preserve our self-respect. If we don’t respect ourselves, we can’t expect others to respect us. Fear alone isn’t enough to be a world leader.

The strongest nation on Earth can ill afford an Attorney General who engages in sloppy, shortsighted legal analysis or who doesn’t object when others do.

The war on terror is crucial to our survival. And survive we will. But there will be other wars to fight in the future just as there have always been in the past. We cannot lose our soul in this fight. If we do, even if we win the military battles, the victories will be Pyrrhic, and we will have lost the war. The Attorney General (designate) has led us down that path. Instead, we need an Attorney General who recognizes that when there is a conflict between law and policy, law prevails.

# Schwarzenegger Submits Killer California Budget

by Harley Schlanger

Before the text has been parsed or the numbers crunched, it is clear that the budget submitted by Arnold Schwarzenegger to the California legislature on Jan. 10 will increase the death rate among the poor, the elderly, and the disabled in the state.

The Governor himself acknowledged that this would be the case, in his State of the State address the previous week, when he spoke about his upcoming budget. "I am well aware there are lives behind those numbers. But I have a responsibility for the fiscal health of this state and for the honesty of its finances," he said, summoning all his Hollywood acting skills to appear both sympathetic toward those who will be tossed onto the human scrap heap, and also resolute in the view of his backers.

Following his speech presenting the budget, he continued with a softer tone, saying he is not happy with what he has done. Yet, in a formulation that would make a sophist blush, Arnie argued that the budget cuts are not really "cuts," as the total spending is up! I "would like to spend more," he argued, "but that's all the revenue we have and we must be fiscally responsible."

Thus, increases promised to health care and social services, education, and improvements in transportation, are cut out of the budget, while Arnie, under the direction of that old fascist George Shultz, says that these are not really cuts, just restraint against "spending more money than the state takes in."

## 'Fiscally Responsible' Fascism

This is a fraud. While the Governor acts as though he is doing nothing more than achieving a balanced budget, he is actually using the budget crisis to transform what state government does.

When he says "fiscal responsibility," he means what is good for the special interests he represents. He has no problem terminating, slicing, and dicing social welfare and medical programs which aid the elderly, the poor, and the disabled, nor reducing funding for education and teachers, nor taking funds targeted for improving transportation and diverting it into the general fund.

Schwarzenegger argues that "fiscal responsibility" is essential to create a healthy business environment in the state. By this, he means massive reduction in taxes on business; low wages, as the businesses he is attracting are heavily weighted



*The Governor, giving his State of the State speech on Jan. 5. His sophist rhetoric about "fiscal responsibility" is a cover for his protection of the special interests he represents.*

toward the service sector, not manufacturing; and reduced benefits, as in last year's battle over workers' compensation, which he won through a referendum on the ballot.

Those who oppose this agenda, such as unionized workers—especially teachers and health-care workers—he attacks as "special interests," which he blames for the "out-of-control" cost to the state to maintain their existing levels of wages and benefits. He insists that, if only these "special interests" can be brought under control, his plan to balance the budget will succeed, and new businesses will race to get into the state.

This is just another fraud, as the businesses he will "attract" with this program are precisely those which have benefitted from the post-industrial society which has grown out of the ruins of this formerly industrialized state, and which produce less wealth—both for employers and employees—than the industries and firms they replaced.

Schwarzenegger, however, is richly supported by these real special interests—banking and finance, real estate speculators (he made a fortune investing his earnings from the freaks he played in the movies, in land and real estate purchases prior to the gigantic bubble of the last decade), for-profit health care such as HMOs, insurance, and pharmaceutical companies, and the low-wage entertainment sector.

These corporations have pledged to provide Arnie with a pool of \$20-30 million to push through ballot referenda, should the Democratic-controlled legislature resist his fascist restructuring. A new private, nonprofit group, Citizens To Save California, which is a coalition of Schwarzenegger-friendly business and corporate interests, has hired Rich Claussen to run a campaign to convince voters that Arnie's policies are good for them.

Claussen was the co-producer of the "Harry and Louise" ads run by HMOs and the insurance industry to poison the debate over health care launched by President Clinton, which ultimately defeated his efforts. A similar campaign of lies can be expected in support of the Shultz agenda for California.



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## From the Congress

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# Conyers Report: 'What Went Wrong in Ohio'

*The following is the Executive Summary of "Preserving Democracy: What Went Wrong in Ohio," a report by the House Judiciary Committee Democratic Staff of Jan. 5, 2005. The full report, 102 pages long, is available at the Committee's website.*

Representative John Conyers, Jr., the Ranking Democrat on the House Judiciary Committee, asked the Democratic staff to conduct an investigation into irregularities reported in the Ohio presidential election and to prepare a Status Report concerning the same prior to the Joint Meeting of Congress scheduled for January 6, 2005, to receive and consider the votes of the electoral college for president. The following Report includes a brief chronology of the events; summarizes the relevant background law; provides detailed findings (including factual findings and legal analysis); and describes various recommendations for acting on this Report going forward.

*We have found numerous, serious election irregularities in the Ohio presidential election, which resulted in a significant disenfranchisement of voters. Cumulatively, these irregularities, which affected hundreds of thousand of votes and voters in Ohio, raise grave doubts regarding whether it can be said the Ohio electors selected on December 13, 2004, were chosen in a manner that conforms to Ohio law, let alone federal requirements and constitutional standards.*

*This report, therefore, makes three recommendations: (1) consistent with the requirements of the United States Constitution concerning the counting of electoral votes by Congress and Federal law implementing these requirements, there are ample grounds for challenging the electors from the State of Ohio; (2) Congress should engage in further hearings into the widespread irregularities reported in Ohio; we believe the problems are serious enough to warrant the appointment of a joint select Committee of the House and Senate to investigate and report back to the Members; and (3) Congress needs to enact election reform to restore our people's trust in our democracy. These changes should include putting in place more specific federal protections for federal elections, particularly in the areas of audit capability for electronic voting machines and casting and counting of provisional ballots, as well as other needed changes to federal and state election laws.*

*With regards to our factual finding, in brief, we find that there were massive and unprecedented voter irregularities and anomalies in Ohio. In many cases these irregularities were caused by intentional misconduct and illegal behavior, much of it involving Secretary of State J. Kenneth Blackwell, the co-chair of the Bush-Cheney campaign in Ohio.*

*First, in the run up to election day, the following actions by Mr. Blackwell, the Republican Party and election officials disenfranchised hundreds of thousands of Ohio citizens, predominantly minority and Democratic voters:*

- *The misallocation of voting machines led to unprecedented long lines that disenfranchised scores, if not hundreds of thousands, of predominantly minority and Democratic voters. This was illustrated by the fact that the Washington Post reported that in Franklin County, "27 of the 30 wards with the most machines per registered voter showed majorities for Bush. At the other end of the spectrum, six of the seven wards with the fewest machines delivered large margins for Kerry." Among other things, the conscious failure to provide sufficient voting machinery violates the Ohio Revised Code which requires the Boards of Elections to "provide adequate facilities at each polling place for conducting the election."*

- *Mr. Blackwell's decision to restrict provisional ballots resulted in the disenfranchisement of tens, if not hundreds, of thousands of voters, again predominantly minority and Democratic voters. Mr. Blackwell's decision departed from past Ohio law on provisional ballots, and there is no evidence that a broader construction would have led to any significant disruption at the polling places, and did not do so in other states.*

- *Mr. Blackwell's widely reviled decision to reject voter registration applications based on paper weight may have resulted in thousands of new voters not being registered in time for the 2004 election.*

- *The Ohio Republican Party's decision to engage in preelection "caging" tactics, selectively targeting 35,000 predominantly minority voters for intimidation, had a negative impact on voter turnout. The Third Circuit found these activities to be illegal and in direct violation of consent decrees barring the Republican Party from targeting minority voters for poll challenges.*

- *The Ohio Republican Party's decision to utilize thousands of partisan challengers concentrated in minority and Democratic areas likely disenfranchised tens of thousands of legal voters, who were not only intimidated, but became discouraged by the long lines. Shockingly, these disruptions were publicly predicted and acknowledged by Republican officials: Mark Weaver, a lawyer for the Ohio Republican Party, admitted the challenges "can't help but create chaos, longer lines and frustration."*

- *Mr. Blackwell's decision to prevent voters who requested absentee ballots but did not receive them on a timely basis from being able to receive provisional ballots likely disenfranchised thousands, if not tens of thousands, of voters,*

particularly seniors. A federal court found Mr. Blackwell's order to be illegal and in violation of HAVA.

*Second, on election day, there were numerous unexplained anomalies and irregularities involving hundreds of thousands of votes that have yet to be accounted for:*

- *There were widespread instances of intimidation and misinformation in violation of the Voting Rights Act, the Civil Rights Act of 1968, Equal Protection, Due Process and the Ohio right to vote.* Mr. Blackwell's apparent failure to institute a single investigation into these many serious allegations represents a violation of his statutory duty under Ohio law to investigate election irregularities.

- *We learned of improper purging and other registration errors by election officials that likely disenfranchised tens of thousands of voters statewide.* The Greater Cleveland Voter Registration Coalition projects that in Cuyahoga County alone over 10,000 Ohio citizens lost their right to vote as a result of official registration errors.

- *There were 93,000 spoiled ballots where no vote was cast for president, the vast majority of which have yet to be inspected.* The problem was particularly acute in two precincts in Montgomery County which had an undervote rate of over 25% each—accounting for nearly 6,000 voters who stood in line to vote, but purportedly declined to vote for president.

- *There were numerous, significant unexplained irregularities in other counties throughout the state:* (i) in Mahoning county at least 25 electronic machines transferred an unknown number of Kerry votes to the Bush column; (ii) Warren County locked out public observers from vote counting citing an FBI warning about a potential terrorist threat, yet the FBI states that it issued no such warning; (iii) the voting records of Perry county show significantly more votes than voters in some precincts, significantly less ballots than voters in other precincts, and voters casting more than one ballot; (iv) in Butler county a down ballot and underfunded Democratic State Supreme Court candidate implausibly received more votes than the best funded Democratic Presidential candidate in history; (v) in Cuyahoga county, poll worker error may have led to little known third-party candidates receiving twenty times more votes than such candidates had ever received in otherwise reliably Democratic leaning areas; (vi) in Miami county, voter turnout was an improbable and highly suspect 98.55 percent, and after 100 percent of the precincts were reported, an additional 19,000 extra votes were recorded for President Bush.

*Third, in the post-election period we learned of numerous irregularities in tallying provisional ballots and conducting and completing the recount that disenfranchised thousands of voters and call the entire recount procedure into question (as of this date the recount is still not complete):*

- *Mr. Blackwell's failure to articulate clear and consistent standards for the counting of provisional ballots resulted in the loss of thousands of predominantly minority votes.* In

Cuyahoga County alone, the lack of guidance and the ultimate narrow and arbitrary review standards significantly contributed to the fact that 8,099 out of 24,472 provisional ballots were ruled invalid, the highest proportion in the state.

- *Mr. Blackwell's failure to issue specific standards for the recount contributed to a lack of uniformity in violation of both the Due Process Clause and the Equal Protection Clauses.* We found innumerable irregularities in the recount in violation of Ohio law, including (i) counties which did not randomly select the precinct samples; (ii) counties which did not conduct a full hand count after the 3% hand and machine counts did not match; (iii) counties which allowed for irregular marking of ballots and failed to secure and store ballots and machinery; and (iv) counties which prevented witnesses for candidates from observing the various aspects of the recount.

- *The voting computer company Triad has essentially admitted that it engaged in a course of behavior during the recount in numerous counties to provide "cheat sheets" to those counting the ballots.* The cheat sheets informed election officials how many votes they should find for each candidate, and how many over and under votes they should calculate to match the machine count. In that way, they could avoid doing a full county-wide hand recount mandated by state law.

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## Lautenberg Legislation

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### Don't Let Election Officials Suppress the Vote

*The following press release was issued by Sen. Frank Lautenberg (D-N.J.) on Jan. 6, titled "In Response to Serious Concerns Over Presidential Vote in Ohio, Lautenberg Announces Measure to Prevent Partisan Activity by Election Officials: Ohio Sec. of State Ken Blackwell Was Also Co-Chairman of Bush/Cheney '04 Campaign."*

WASHINGTON, D.C.—During the debate today in Congress over concerns about the electoral process in the critical state of Ohio during the recent Presidential election, United States Senator Frank R. Lautenberg (D-N.J.) announced plans to introduce legislation to ensure that those State officials in charge of supervising the certification of votes for federal elections are not also affiliated with the campaigns of those persons running for federal office.

"Allowing a state official to oversee a federal election while serving as a campaign official for one of the candidates in that election is a blatant conflict of interest," added Lautenberg.



# KEN BLACKWELL

OHIO SECRETARY OF STATE

State-Wide Appeal  
Urgent Action Requested  
Personal Attention Please

Dear Friend,

As the Co-Chairman of Bush/Cheney '04 in Ohio, I want to say thank you for helping deliver the great Buckeye State for George W. Bush.

Without your enthusiasm, generous support and vote, I'm afraid the President would have lost...

...And an unapologetic liberal Democrat named John Kerry would have won.

Thankfully, you and I stopped that disaster from happening!

My friend, not only would a Kerry victory have been a terrible result for Ohio -- it would have been a horrible outcome for the families and taxpayers of America.

That's why in the late hours of Election Night, I was truly pleased to announce President Bush had won a critical and clinching victory here in Ohio, on the belief that it was statistically improbable for Senator Kerry to recover.

I have no doubt the strong campaign we helped the

*Ohio Secretary of State Kenneth Blackwell's fundraising letter.*

Senator Lautenberg's Federal Election Integrity Act (FEIA) of 2005, to be introduced later this month, would prohibit Secretaries of State and other state election officials with supervisory authority over the administration of federal elections from participating in the political campaign or management of a candidate running for federal office in their state. The Secretary of State is the chief election official in 39 States.

In a letter sent out on stationary that appeared to be official Ohio Secretary of State letterhead, Blackwell stated, "As the Co-Chairman of the Bush/Cheney '04 in Ohio, I want to say thank you for helping deliver the great Buckeye State for George W. Bush. Without your enthusiasm, generous support and vote, I'm afraid the President would have lost. . . . And an unapologetic liberal Democrat named John Kerry would have won. Thankfully, you and I stopped that disaster from happening." Mr. Blackwell's entire letter is attached to this release.

"Those officials in charge of certifying elections in the State must not be allowed to serve two masters. The will of the voters must come before the personal politics of those who oversee elections," said Lautenberg.

A fact sheet of Sen. Lautenberg's legislation is below:

## Federal Election Integrity Act of 2004

Senator Lautenberg's Federal Election Integrity Act (FEIA) of 2005 would prohibit Secretaries of State and other state election officials with supervisory authority over the administration of Federal elections from participating in the political campaign or management of a candidate running for Federal office in their state. The FEIA creates a direct prohibition on State election officials from taking part in political campaigns by amending the Federal Campaign Act of 1971.

This is not a Democratic or Republican issue. Rather, this is an issue that concerns the preservation of the American people's faith and confidence in the election process. Simply put, an election official responsible for ensuring fair and accurate federal elections should not be connected with any of the candidates in that election.

### Conflict of Interest

There is an inherent conflict of interest when an election official charged with supervising the administration of an election, and ensuring the fairness and accuracy of the results has a direct role in the campaign of one of the candidates running for Federal office.

In the 2004 Presidential election, Ohio Secretary of State Ken Blackwell was co-chairman of Bush/Cheney '04 in Ohio. On December 6th, 2004, Blackwell certified President Bush as the winner in Ohio.

This is the second presidential election that presented such a conflict of interest in a critical state. In the 2000 election, Florida Secretary of State Katherine Harris served as co-chair of President Bush's Florida campaign. President Bush's narrow victory in Florida gave President Bush the state's 25 electoral votes necessary to win the presidency.

### Authority

Congress has the right to set the rules for fair Federal elections. Thus, Senator Lautenberg's bill does not affect state elections, but only elections for Federal offices, such as President, Vice President, U.S. Senator and U.S. Representative.

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## A Sublime Moment

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*The Jan. 6 debate in the House of Representatives challenging the Presidential election, stunned Washington observers.*

The floor of the House of Representatives has been the scene of much political debate throughout the years, some of it profound, some merely useful, and a lot of it purely hot air. But on Jan. 6, at a Joint Session of Congress called to authenticate the certificates of the Electoral College from the 2004 Presidential election, there suddenly occurred a moment that approached the sublime, when an array of Democratic Congressman, led by the indomitable Ohio representative, Stephanie Tubbs Jones, stood up to object to the certification of the count of the Presidential votes in Ohio.

The counting abruptly stopped. "For what purposes does the gentlewoman from Ohio rise?" Vice President Dick Cheney asked. "Mr. Vice President, I seek to object to the electoral votes of the State of Ohio on the ground that they were not, under all of the known circumstances, regularly given and have a signed objection, and I do have a Senator," Tubbs Jones replied. She then stepped up to the Speaker's table to hand the Vice President the resolution of objection, signed by herself and by Sen. Barbara Boxer (D-Calif.) At that, Cheney was impelled by the rules of the House to adjourn the Joint Session. Speaker Dennis Hastert (R-Ill.) had then to call the House back into session to discuss for two hours the objection raised by the Ohio Congresswoman.

The Senators gathered there for the vote along with Vice President Cheney, who had so arrogantly marched into the House of Representatives for the ballot-counting, had now to march back out again, with

Senators going to their own chamber in order to debate that same resolution of objection.

The resolution came as no surprise to the Republican side, nor to the Vice President, who, according to reports, had, the day before, when it became known that the resolution would have the signature of a Democratic Senator, thus triggering the debate, argued to override the objection and simply proceed with the count. Lawyers in the room cautioned him that this would indeed have serious legal repercussions which they advised against. So when the Vice President handed the Ohio ballot to one of the tellers to read off the results, knowing that an objection would follow, he did so with a bit of a smirk. Had the motion come as a surprise, however, Cheney would undoubtedly have had a hissey-fit, and besmirched the House, as he had the Senate last year, with his hallmark "F— you!" Now restricted by the rules, he was forced to curb his tongue.

What followed was a debate in which the Democratic side made an oftentimes eloquent appeal in defense of the fundamental right to vote. The case was most forcefully presented by Congresswoman Tubbs Jones, and she was followed by an array of other Congressmen. "This is not a black and white issue. This is not a Republican/Democrat issue," Rep. Elijah Cummings (Md.) said. "This is a red, white, and blue issue. This Constitution that we base our country and our laws on, the fundamental things of that Constitution, that building block, is the vote; and when we take away

that vote, then what we do is we basically are destroying our democracy. That is what this is all about."

In the two-hour debate, evenly divided up between the two sides, the Republicans who spoke were absolutely furious, calling the Ohio motion "frivolous," a "sham," and "sour grapes" from the Democrats. Rep. Mel Watt (D-N.C.) responded to their tantrums. "Two days ago we took an oath of office to uphold and defend the Constitution," Watt said, "... at least three amendments in the Constitution which guarantee equal access to the ballot [were violated], and yet we are saying that people who did not get an opportunity to vote, who did not have equal access to the vote, are raising frivolous issues? Come on, give me a break."

Glancing at the two massive paintings on either side of the Speaker's podium—one, a portrait of George Washington by Gilbert Stuart, and the other a portrait of Lafayette by Samuel Morse, made on the French General's 1824 re-visit to the United States after years in prison—it seemed to me that their countenances had this day a different glow. I perceived a slight smile of contentment on the otherwise solemn visage that Stuart had given Washington, and definitely detected something of a proud gleam in the eye of Lafayette.

No wonder the rage exhibited by House Speaker Tom DeLay and his irate Republican colleagues over the motion of Congresswoman Tubbs Jones! What they were seeing was a revitalized Democratic Party, strengthened by the urgings of political leader Lyndon LaRouche, intent on fighting a battle on the basis of a fundamental principle, and to protest an injustice which strikes at the very heart of this nation. DeLay and Co. have a right to be worried. For these "victors" of 2004, the battle has just begun.

# GOP Tightens Its Grip on the Congress

by Carl Osgood

The House Republican leadership wasted no time renewing its assault on the U.S. Constitution on Jan. 4, when the 109th Congress convened. As their first piece of legislative business, the GOP proposed changes to the House rules that tighten their control of the House, weaken the ethics rules, and redefine what it means to have a quorum. However, the Republicans were forced to back down on measures intended specifically to protect House Majority Leader Tom DeLay (R-Tex.), including an internal Republican caucus rule that would have allowed him to continue to serve as Majority Leader even if he is indicted in Texas for violating state campaign finance laws.

The Republicans were also forced to back down on a plan to repeal the House rule that members must conduct themselves “at all times in a manner that reflects creditably on the House.” They did succeed in changing the rules of the Committee on Standards of Official Conduct, however, such that it now requires a majority vote to start any investigation. They were forced to back down, not only because of criticism from the Democrats, but because of a threatened revolt from within the GOP caucus itself, led by Ethics Committee Chairman Rep. Joel Hefley (R-Colo.). Hefley is already being targeted for removal from his chairmanship because the Committee, in one eight-day period late last year, admonished DeLay for his conduct three times, each time by a unanimous vote, and each time based on the rule quoted above.

Hefley told the House he had fully expected to oppose the package, except for the changes that had been made the night before. Even though he had decided to vote for the package, he called some of the recommendations that stayed in it “ill conceived.” He said that the ethics process, including its reform, can only function if it is bipartisan, and that neither the Ethics Committee nor members outside the rules process were ever consulted on the ethics provisions remaining in the rules package; he called on the leadership to reconsider all of the amendments.

## Bypassing the Constitution

Perhaps more dangerous, even, than the changes made to the House ethics rules was the provision changing the definition of a quorum, ostensibly in the name of “continuity of legislative operations.” As Rep. Brian Baird (D-Ore.) pointed out, the Constitution, in Article I, defines a quorum as a majority of all of the members of the House (or Senate). The rules

change, however, sets up a procedure by which business can be conducted even if a quorum can’t be assembled—ostensibly, because of some catastrophic event, such as a terrorist attack. Baird told the House that the proposed change “seeks to allow a small number” of members of the House “to enact laws, declare war, impeach the President, and fulfill all other Article I responsibilities.” Rep. Jerrold Nadler (D-N.Y.) charged that the new rule “gives the Speaker nearly unfettered authority to change the number of the members of the whole House to exclude members who are chosen, sworn, and living but who do not answer the call of the chair,” which would amount to expulsion of those members without the constitutionally required two-thirds vote.

Baird made a point of order against the proposal, on the grounds that it was unconstitutional, but House Speaker Dennis Hastert (R-Ill.) ruled that the point of order is “not cognizable,” because the Speaker does not make rulings on the constitutionality of the House’s rules. Hastert’s ruling was upheld by a vote of 224 to 192, and the rules package, which included the new definition of quorum, passed by a vote of 220 to 195.

## Drive for Austerity

The Republican leadership in both Houses is preparing to ram through unprecedented austerity in the Bush Administration’s Fiscal 2006 budget plan, as a number of committee appointments show. Sen. Judd Gregg (R-N.H.) has just become chairman of the Senate Budget Committee, and is promising to “strictly control” spending. Rep. Chris Smith (R-N.J.) has been booted from the chairmanship of the House Veterans Affairs Committee, and from the committee entirely, and replaced by Rep. Steve Buyer (R-Ind.). Buyer got the job reportedly because he convinced the leadership that he would be “tougher” on spending, whereas Smith was considered too sympathetic with the needs of veterans. Rep. Lane Evans (D-Ill.) called Smith’s dismissal “unconscionable” and charged that he was fired “simply because he did an exceptional job.”

Many Republicans were also reportedly shocked by the purging of Smith from the Committee, but even before that happened, comparisons were being drawn between the GOP leadership after ten years in power, and the Democrats during their 40-year reign on Capitol Hill. “We are looking more and more like the Democrats we replaced,” one committee chairman told GOP columnist Robert Novak.

But a big difference is that the Republicans have been waging all-out war against the general welfare from the time they took power in 1995. The spending limits they are seeking to impose are primarily targeted at the social welfare of large numbers of Americans, from veterans, to Medicare and Social Security recipients, to the poor who depend on Medicaid and other low-income programs, to everyone in between—all in the name of “fiscal responsibility.” Spending for the wars in Iraq and Afghanistan, and for police-state security measures inside the United States, won’t be affected.

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## Scowcroft Sees Threat Of Iraqi Civil War

Brent Scowcroft, the National Security Advisor to the George H.W. Bush Presidency, warned on Jan. 7 that the rush to elections in Iraq may result in civil and regional war. Speaking at a luncheon sponsored by the New America Foundation, he also indicated that the problem was the result of having no exit strategy.

"With Iraq, we clearly have a tiger by the tail," Scowcroft said. "And the elections are turning out to be less about a promising transformation, and it has great potential for deepening the conflict. Indeed we may be seeing an incipient civil war at the present time. What kind of Iraq are we after? We're after an Iraq that fundamentally is stable, that has a cooperative outlook towards its neighbors in the region. And with a government that is concerned about minority rights in such a way that these minorities come to support that government. And a military that is both disciplined, and effective, and that owes its allegiance to that government."

Asked about reports that he has been dismissed as longtime head of the President's Foreign Intelligence Advisory Board, Scowcroft responded, "No comment."

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## Will PBGC Foot the Bill For Airline Pensions?

A plan announced on Jan. 10 by Labor Secretary Elaine Chao, for a 58% increase in the premiums that corporations pay to the Pension Benefit Guaranty Corporation (PBGC), left no doubt that the PBGC soon expects to absorb the pensions of the already-bankrupt United Airlines and U.S. Airways, as well as the remaining non-budget major airlines.

PBGC Executive Director Brad Belt had testified before the U.S. Senate Commerce Committee on Oct. 24, that United Airlines' pension plans were then underfunded by \$8.3 billion on a termination basis, of which

\$6.4 billion is guaranteed by the PBGC. On Dec. 30, the PBGC went to court to take over the United pilots' pension plan, before its liabilities increased.

Belt also testified then that U.S. Airways had suspended all contributions to its pension plans, which were already underfunded by \$2.3 billion on a termination basis, "almost all of which—\$2.1 billion—would be guaranteed by the PBGC," he stated. Belt warned the Senators that the total exposure of the pension plan participants and the PBGC to the airline industry was, in the event of termination, a whopping \$31 billion at the end of 2003.

Belt delivered his testimony at same time that the PBGC, which guarantees the pensions of employers with "defined benefit plans" (plans which pay set monthly amounts for the lifetime of a worker, and often a spouse), doubled its deficit to \$23.3 billion (from 2003 to 2004), due largely to its takeover of the pensions of the nation's former steelmakers.

If the PBGC were unable to meet its obligations, the U.S. government would be politically forced to pay its obligations.

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## Supreme Court Rejects Sentencing Guidelines

Reflecting the institutional assertion of the U.S. Supreme Court against Congress and the Executive Branch, the Court on Jan. 12 threw out the mandatory sentencing guidelines which have all but eliminated judges' discretion in sentencing for the past 20 years. Henceforth, according to the Supreme Court, the sentencing guidelines enacted by Congress in 1984, will only be "advisory," not mandatory. The ruling left mandatory minimum sentencing laws in place—which are separate from the guidelines.

There were two related, and at times contradictory rulings. One said that the guidelines violated the Sixth Amendment's guarantee to trial by jury, because judges are required to increase sentences by considering factors which were not decided by the jury. The other said that the guidelines should remain in place, but that they should

be regarded as advisory. A sentencing determination is still subject to review by an appellate court.

It is not yet clear what the effect will be on the Federal courts and prison system. Some observers predict a flood of appeals, while others don't. The Justice Department said it was "disappointed" by the ruling, and it urged judges to follow strict sentencing guidelines. It is expected that Congress will rewrite the sentencing laws, perhaps trying to get around the Supreme Court ruling.

Lyndon LaRouche has addressed the evil of mandatory sentencing on a number of occasions. At an Oct. 22, 2003 speech in Washington, he said: "We also have people parked in prisons, who shouldn't be there. . . . We need a general approach to rehabilitating society. . . . there are young people, who can fit into something, and make something of themselves, if we give them the opportunity and the guidance. So, why not give them something useful to do, something necessary to do, with the intention, they shall come out of it, as citizens in the full sense of self-respecting citizens? We must do that, now."

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## Washington State Gets A Governor—Finally

Democratic Attorney General Christine Gregoire was inaugurated on Jan. 12 as the new Governor of Washington, although the state Republican Party is still refusing to accept the final hand-recount verdict in the bitterly contested election.

An attorney for the Republican candidate, Dino Rossi, said the GOP was filing suit, alleging that "thousands of illegal votes" were counted, due to "errors, omissions, misconduct, neglect, and other wrongful acts."

The suit was filed in a sparsely populated, heavily Republican county in eastern Washington, seeking to have the entire gubernatorial election annulled and run over again. The Republicans are trying to get an order for a new election, which would then have to be decided by the State Supreme Court, and possibly, by the legislature.

# *LaRouche: World Needs a New Treaty of Westphalia*

Speaking in Berlin on Jan. 12, before an audience of 75 scholars, politicians, and government officials from a score of countries of Eurasia, Africa, and the Americas, the American political economist Lyndon LaRouche issued a call for a new Treaty of Westphalia. In his keynote remarks at a two-day seminar addressing the Eurasian crisis, LaRouche warned that the planet faces a plunge into a New Dark Age, unless governments can reach a new set of strategic agreements, premised on the need for cooperation to lift the world up from the current poverty. LaRouche concluded his opening speech with the following profound call to action:

“So therefore, my view is, that the way we can get at a Eurasian culture, is take this crisis, right now—the system is coming down; the American System, or a return to a Bretton Woods-style of fixed-exchange-rate system, is feasible. But this time, as an integral part of that, we have to recognize, we’re up against the point which, without development of the management of natural resources, we’re not going to be able to meet the needs and aspirations of the peoples of the world, as a whole.

“And therefore, we must take the fact, that we’re at a boundary condition. The planet is being strained by a lack of development. We have population growing, but a lack of development. . . . Russia is a key part of the Russia-India-China partnership for Asia. Russia is a partner, with Western Europe, in these enterprises.

“Therefore, is there not a common interest which has several features? Do we not require, that western Europe—say, typified by Germany, where we’re standing here, today—must go back to becoming a high-technology exporter of goods, high-technology goods? Because *Asia needs that technology*. Why should Europe try to compete to get back markets from Asia? It’s crazy! Why does not Europe, as the United States, take the responsibility of developing *its people*, and its capabilities, for the kinds of technological *frontier development in technology*, which are needed for the peoples of the world as a whole?

“Why not think of a constructive, mutually benefi-

cial *division of labor*, rather than competition? Why not recognize, that in contributing to the common good, to the general welfare first, as the Treaty of Westphalia prescribed, that we find a greater advantage for ourselves than in trying to compete, in competing advantages *against* one another in a world market?

“Why can’t we learn to cooperate?

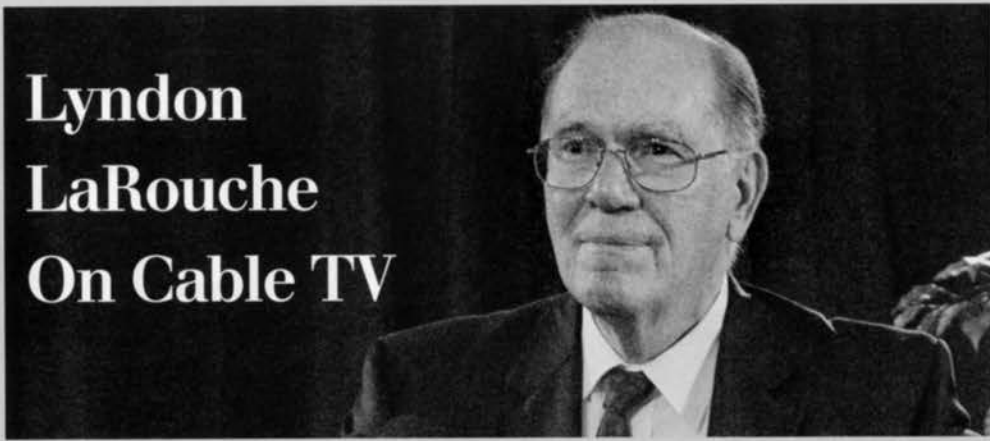
“This means, of course, a change in the way that we look at the individual in society, today. It means the death of what has been called ‘environmentalism’ . . .

“We have to now think in terms of what is good for the planet, from the standpoint of the working scientist, who says, we must develop the means to cope with any problem which presents itself to us, or to humanity in general. If we are willing to dump this mysticism, this crazy Satanic cult of ecology, and get back to becoming what Europe was at its best, a repository of technological and scientific progress, then we can educate our populations accordingly—and we can do things: We can create new industries.

“What we need now is, of course, a series—in this new period—of treaty agreements among nations, long-term treaty agreements of 25- to 50-year duration, for capital formation. And the way we can muster the capital, is by creating long-term loans, with the aid of governments, to fund, to provide credit to entrepreneurs and others, who will produce what is needed, as capital goods. This must be at low rates; it must be a fixed-exchange-rate system—you can’t do it otherwise. If you have a floating-exchange-rate system, you can not engage in long-term treaty agreements. You must have state treaty agreements, state-to-state; or multi-state treaty agreements, 25 to 50 years’ term, as blanket agreements which cover a lot of smaller agreements, smaller projects.

“These treaty agreements then become like a banking facility: They issue loans, which they think meet the purpose of their institution, in assisting the progress of this enterprise, that enterprise, and so forth, which they think is going to fulfill the purposes of their agreement.”

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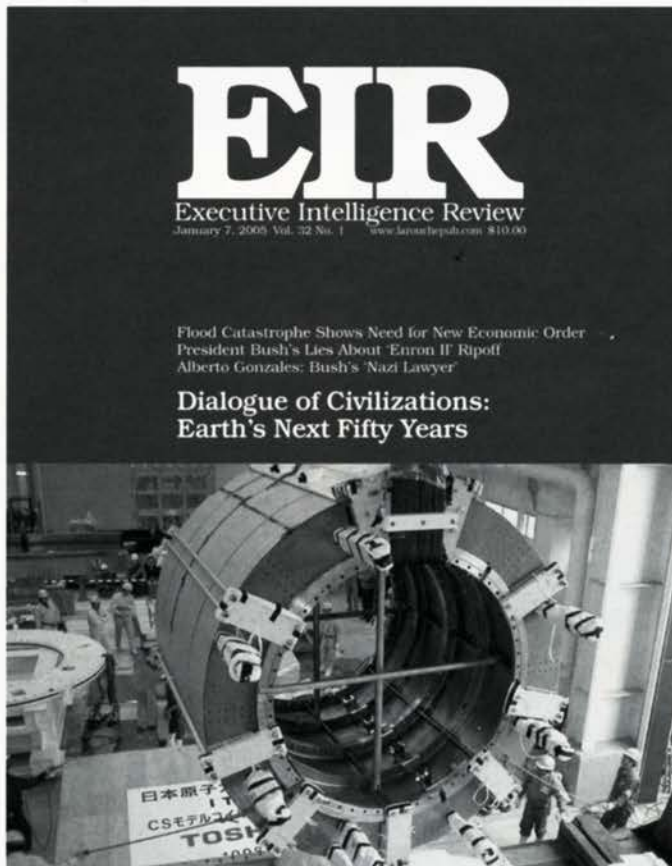
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