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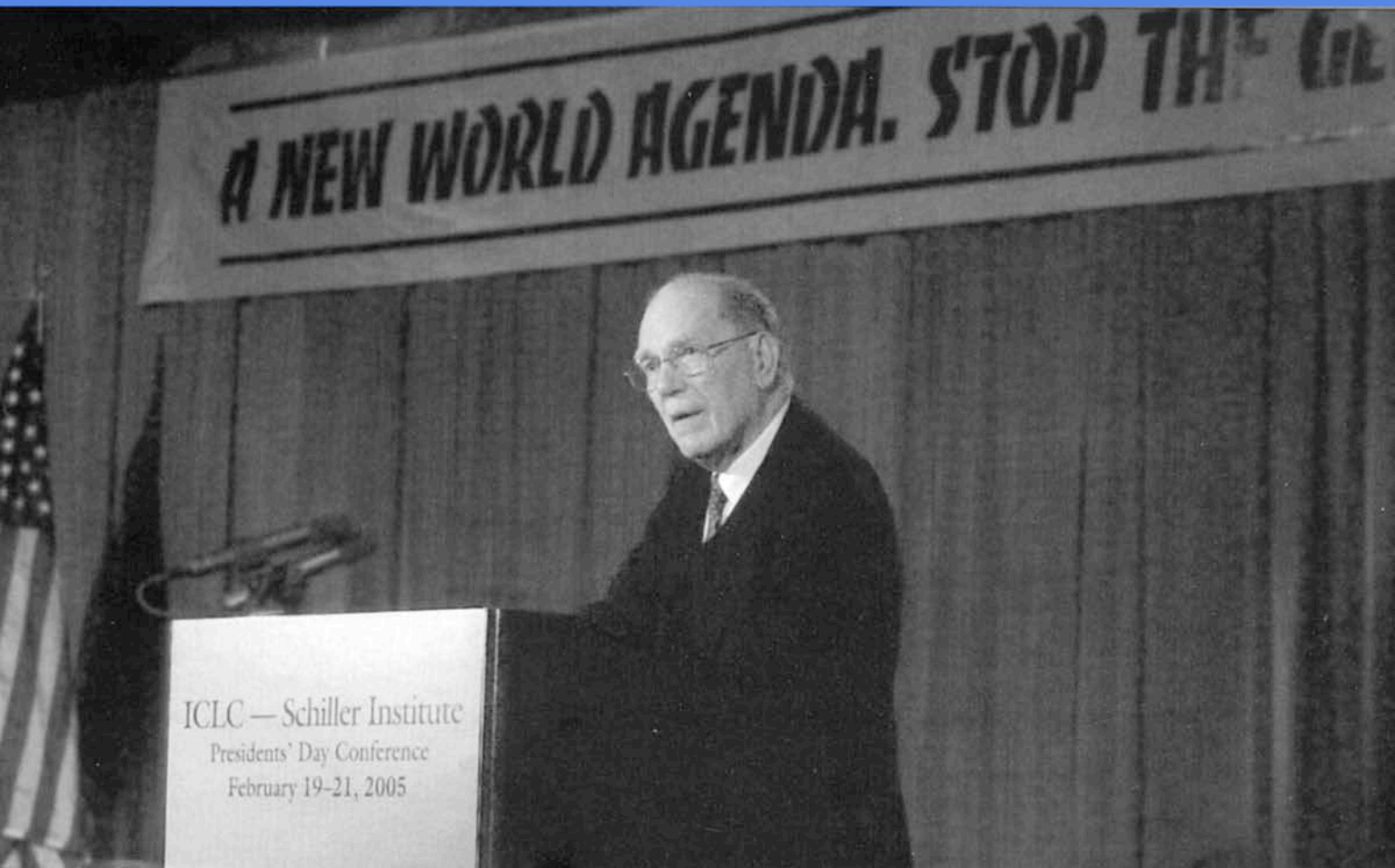
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## From the Associate Editor

As preparation for the Presidents' Day weekend conference of the Schiller Institute and International Caucus of Labor Committees, Lyndon LaRouche presented five "keystone papers" to those participating, either directly or otherwise. Two of those are new, and are published in our *Feature* this week; the others appeared in *EIR* previously (see page 4 for the full list). All will shortly be released in book form by the LaRouche Political Action Committee.

These documents, together with LaRouche's keynote address to the Presidents' Day conference, published in this issue, provide enough food for thought to keep us all busy for quite some time to come. As our readers have come to expect from the author, the topics cover the gamut of human experience, all of them brought into an integrated conceptual whole, as a Classical composer unifies the musical ideas of his composition into a thoroughly synthesized conception. What was the "Franklin Roosevelt miracle"? How did FDR mobilize a prostrate nation, economically devastated, threatened by the march of fascism abroad and also at home, to achieve victory and the greatest industrial mobilization ever seen on the planet? How can we go beyond the lessons of the 1648 Treaty of Westphalia, to achieve peace and mutually advantageous economic cooperation, among warring peoples who are much more religiously and ethnically diverse than those who slaughtered one another during Europe's Thirty Years' War? What would be the result for humanity, if the current dollar-based global financial system were to undergo a tsunami-type collapse? How can we invoke the experience of Roosevelt's Bretton Woods system to prevent such a catastrophic result? And finally, most essentially, what does it mean to be human? How do we achieve immortality—even before we die?

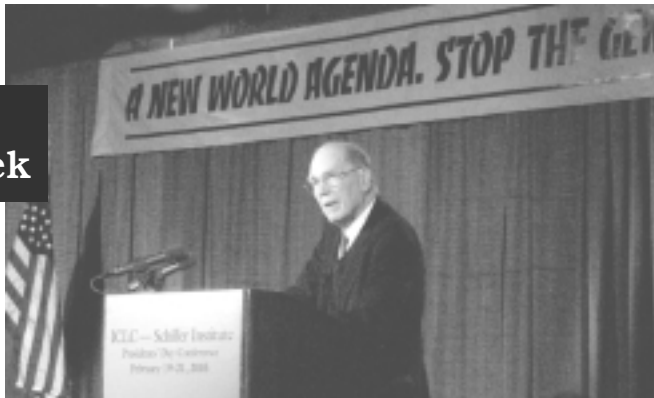
For many of us "old timers" who were fortunate enough to attend the conference, the poignance of the last question was especially keen, due to the lively presence of the youth movement. Said LaRouche in his keynote: "You will observe in the formal youth movement, crucial elements which reflect my knowledge of the *access to immortality*: I can offer these youth nothing. We don't have any money. I can offer them nothing, except immortality: Access to immortality. What does that consist of? It consists of, first of all, of being committed to truth as knowledge." How's that? Read on!

*Susan Welsh*

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## LaRouche Revives 'FDR's Miracle' To Rescue the Nation

by Nancy Spannaus

The Presidents' Day conference of the Schiller Institute and International Conference of Labor Committees—meeting bi-coastally, near Washington, D.C. and near Los Angeles, California—over the course of two extraordinary days of presentations and discussion, analyzed the process whereby during the 2004 Presidential campaign and its aftermath, Lyndon LaRouche succeeded in mobilizing and transforming the Democratic Party under his increasingly visible leadership. The conference discussed how to build on that breakthrough, and lead this newly determined, newly unified party, in the battle to make of George W. Bush and his Administration the lamest duck there ever was, to avert the global threat of perennial war, of nuclear war, of economic catastrophe that Bush embodies, by hammering him into defeat on the central issue of Social Security privatization.

Approximately 900 people gathered in both locations, under the banner “A New World Agenda: Stop the Genocide.” That new world agenda had been elaborated by LaRouche in a series of discussion documents going into the conference. These began with his Nov. 24, 2004 “The Follies of the Economic Hitmen: Re-animating the World's Economy” (*EIR*, Dec. 3, 2004) and continued with “Toward a Second Treaty of Westphalia: The Coming Eurasian World” of Nov. 29, 2004 (*EIR*, Dec. 17, 2004) and “The Dialogue of Civilizations: Earth's Next Fifty Years” of Dec. 19, 2004 (*EIR*, Jan. 7, 2005). The first of these was also issued as a pamphlet by LaRouche PAC, the former candidate's political action committee. On the eve of the conference, LaRouche issued two more discussion documents, which we include here: “The Global Option for this Emergency: Beyond Westphalia Now,” and “Franklin Roosevelt's Miracle.”

The conference itself was dominated by the LaRouche Youth Movement, which, along with its young guests, comprised the majority of those attending, and whose members presented two of the conference's five sessions: an open rehearsal of J.S. Bach's *Jesu, meine Freude*, a performance of the first two acts of Shakespeare's *Julius Caesar*, under the direction of actor Robert Beltran, and combined



*Civil rights movement heroine Amelia Boynton Robinson greets LaRouche Youth Movement member Erin Smith at the start of the conference on Feb. 19. Inset: Helga Zepp-LaRouche, the founder of the Schiller Institute, who spoke on Schiller's "Wallenstein" trilogy, and its relevance to today's crisis.*

with a pedagogical discussion on the role of Classical drama in uplifting popular culture.

But the highlight of the weekend's events was, without doubt, LaRouche's keynote presentation on Feb. 20, in which he addressed the question of immortality in very personal terms, and made his personal commitment very clear:

"We have pushed for the kind of leadership I knew we needed to prevent this planet from falling into the hands of the friends of George Shultz.

"Some people in this world think that if the U.S. under Bush were to collapse, that would be a good thing, LaRouche cautioned, saying sardonically, "Because then, geniuses in Europe would suddenly take leadership, and the world would be better. There are no such geniuses in Europe! That China, as a nation of the future, would triumph from the collapse of the United States—bunk! The collapse of the U.S., the collapse of the U.S. dollar, would cause a crisis in China from it could not really survive. The same is true for India and the rest of the world. The United States, because of something embedded in its history, in its character, must again take the leadership, and prevent this crisis from going to its full extent.

"And I'm in the center of it. I have to keep pushing: Because I have the knowledge, the understanding, to do what needs to be done. I have lived my life—as I can say, looking backwards—I have lived my life for these days. . . . This in future history, will be acknowledged as the immortal purpose of my life: To save civilization. . . .

"My job now is, having reached a position of leadership, of growing leadership influence, is to use, from my stock of

immortality, what is known to me and understood by me—as not by others around me or by others generally—to use that knowledge, and the passion which I have, through which I express that knowledge, to push this planet, including the leaders of the United States and others, into taking the kinds of actions which echo, for our time, what Franklin Roosevelt did for his time."

### **A New Leadership Position**

As LaRouche emphasized in his remarks, and as was elaborated in some detail in the panel on "Bringing Back the Democratic Party of FDR," given by LaRouche's national spokeswoman Debra Hanania Freeman, his West Coast spokesman Harley Schlanger, and *EIR* editor Jeffrey Steinberg, LaRouche has succeeded in the last six months in achieving a position of influence, particularly within the Democratic Party, which can permit him to play the necessary leadership role.

That reality was underscored at a pre-conference meeting on Feb. 18. which brought together a few dozen leaders from the Democratic Party, labor, and Congressional offices for a discussion of the immediate tasks ahead, with leaders of the LaRouche movement, including Helga Zepp-LaRouche, LaRouche's wife, who heads a German political party, and founded the Schiller Institute. The meeting included representatives from some key Congressional offices in Washington; a very broad cross-section of elected state and local Democratic Party officials; and an unusually large, very energized turnout from the labor movement, from many parts of the country. People came from the Washington, D.C. area, Ohio, Missouri,

Michigan, Georgia, and other states, including as far away as California.

The lengthy discussion centered around the strategic mission, as defined by Lyndon LaRouche. Debra Freeman, Helga Zepp-LaRouche, and Jeffrey Steinberg went through a strategic *tour d'horizon*, including the financial crash, the urgent danger of war, and every aspect of the strategic situation. They elaborated why Lyndon LaRouche put the Social Security issue forward as the strategic vulnerable flank to bring down the Bush Administration.

In the course of the discussion, a certain optimistic sense was conveyed about what the Democratic Party is doing, as a direct result of LaRouche's leadership. And *EIR*'s Berlin conference from earlier this year was continuously brought into the discussion, so that people had a sense of the larger, global environment in which LaRouche is operating.

### Defeating the New Thirty Years' War

The conference was opened on Feb. 19 by Amelia Boynton Robinson, the legendary civil rights movement leader, now in her 90s, who serves as the vice chairman of the Schiller Institute. She introduced Erin Smith, a leader of the LaRouche Youth Movement, who in turn presented the keynote speaker, Helga Zepp-LaRouche, who spoke on the theme "It's Time To Put Out the Flames of the Thirty Years' War: Let's Create a Beautiful Mankind!" Mrs. LaRouche began by reviewing the ongoing "hot spots" dominating the world strategic situation, from Southwest Asia, to Russia, to East Asia, to the tottering world financial system, which is already overripe for a crash.

"So," Zepp-LaRouche asserted, "I think if you look at this picture, . . . Lyn [Lyndon LaRouche] is absolutely right when he says the Thirty Years' War has already begun. . . .

"This is *much worse* than the Thirty Years' War, because the Thirty Years' War was limited to Europe, to a part of Europe. But this is already engulfing the entire globe. . . .

"The world is already sitting on a powderkeg, and the name of this powderkeg is World War III. The fuse has already been lit, at five, six, seven, eight points."

To deal with this, she said, "we have to look at history like tragedy. And we have to learn from Classical tragedy, how to uplift ourselves, how to uplift the population in order to find a way out."

To illustrate this in practice, she turned to the Thirty Years' War itself (1618-48), to the historical writings on the period by Friedrich Schiller, the great German poet, and to his Wallenstein trilogy, three plays written on a central character of the Thirty Years' War, the General Wallenstein who first fought for the Hapsburg Empire, and then turned against it.

"The real struggle of mankind to increase the spiritual side, the intellectual, cognitive side, is what this play is all about," she continued. And the desperate attempt to find an end to a terrible war. "So, that must be the lesson for us



*Lyndon H. LaRouche, Jr. delivers his keynote speech on Feb. 20. "I have lived my life for these days. . . . This in future history, will be acknowledged as the immortal purpose of my life: To save civilization."*

today. 'War must stop during the war'"; and as LaRouche has written, the world needs, today, more urgently than ever, a new Peace of Westphalia—the treaty that ended the Thirty Years' War, based on the concept of the *advantage of the other*. . . .

"And that is very obvious, why we need today a Franklin D. Roosevelt approach for the reconstruction of the torn areas of the war. It is why we need the proposal by Lyn to have a New Bretton Woods; a Eurasian Land-Bridge as the basis for a reconstruction of the world economy, which is based on the interest of the other. . . .

"America, predominantly, has to make this decision—and I'm calling upon you, and the Americans in general, to not have the world turn into barbarians, and not turn the world into a global nuclear rubble-field, a Dark Age."

### A Movement Inspired by Youth

In the discussion period following Zepp-LaRouche's presentation, two distinguished foreign guests addressed the conference: Dr. Nino Galloni, a former official in the Italian Labor Ministry and an expert on pension funds, and Maxim Ghilan, an Israeli freedom-fighter who edits the journal *Israel and Palestine Strategic Report*. Most the remaining sessions of the conference focussed more directly on how to create a movement in the United States, that can reverse the disastrous direction of the Bush Administration.

As LaRouche said in answer to one question, the crucial element missing is "a revolutionary movement to take the country back," in the way that Franklin Delano Roosevelt. He personally is committed to creating this movement, but it will not be done without the inspirational role played by the LaRouche Youth Movement, in the immediate days and months ahead.

*The audio and video archive of the conference is available at [www.larouchepub.com](http://www.larouchepub.com). Full transcripts are being posted as they become available.*



# The Great Crash of 2005

by Lyndon H. LaRouche, Jr.

*Here is Lyndon LaRouche's keynote address to the International Caucus of Labor Committees/Schiller Institute annual Presidents' Day conference on Feb. 20, 2005.*

Some people wonder why, at my not-really-venerable age, I sometimes do the things I do, which they suggest might be left to younger people. And the rude answer I give to that, is, younger people are not qualified to do what I have to do.

Typical is the case, as we went through this last year's convention and what followed up to the present time. We started a campaign, in which we were excluded by the Democratic Party and others from the start. It was highly unlawful on their part, totally undemocratic, in fact, destructive, and corrupt. But I said, "We're going to do it." So some people among us, who unfortunately belong to a slightly younger generation than mine, said, "Let's be practical. Let's not gamble so much on this. Let's be practical. Let's manage things more calmly. Let's not be frantic. Let's not push too hard."

My response is, that we are at the last chance to save civilization from Hell, a last chance which I have been forecasting with accuracy over several decades, and most emphatically, since the period 1968-1971, and there are some alive in this room today, who can remember that. That the system is finished. The United States saved the world, under Roosevelt—otherwise we'd been in Hell a long time ago.

But Franklin Roosevelt saved the world: Franklin Roosevelt went back to the roots of the American System of political-economy, which was the tradition of his ancestor Isaac Roosevelt, the banker of New York, who was an ally of Alexander Hamilton. Roosevelt was a spokesman for the American Revolution and its tradition, and those who attacked him were the enemies of the United States, whether they intended that, or knew that, or not.

Roosevelt saved the United States from becoming fascist. The United States would have become fascist in the middle of the 1930s, but for Franklin Roosevelt's election, and the actions he took, beginning the day he entered office in March of 1933.

He saved the United States. He saved our system. And what he did saved the world from fascist conquest. There are three key points in that fight. One is Winston Churchill—who was not a good person—but he was a greedy person, who did not believe that the British Empire should be turned over to Adolf Hitler. On every other point of importance, he agreed

sentimentally and philosophically with Adolf Hitler. He was just a different variety of the same species.

But the first step toward defeating Hitler, otherwise, during the war came when our dear friend Winston Churchill appealed to Franklin Roosevelt in 1940, to enter into a scheme to prevent the British Empire from being taken over by the Nazis, in the case the invasion of Britain by Nazi forces should occur. That agreement was the first step toward the defeat of Nazism. The second step, apart from the entry into the war by the United States, was the defeat of the Nazi forces at Stalingrad in the Soviet Union, and by the Soviet Union, which was done with cooperation and assistance from the United States, at that point. The third thing, which sealed the potential doom of Hitler, was the Battle of Midway, where an American vastly-outnumbered naval force defeated the Japanese Navy. And thus, created a situation in which the United States was the leading factor in a two-front war against the Nazi forces.

And our logistical strength, which was built up under Roosevelt—through anti-Hoover measures, through anti-Coolidge measures, through anti-Greenspan measures, through anti-Bush measures—gave us the great logistical strength, such that the American soldier, who was poorly trained, having been recently recruited to that job, entered the field of battle; where the enemy had hundreds of pounds, the American soldier had *tons* of logistical materiel to support him. It was that vast superiority in logistics and materiel, made possible by Roosevelt's recovery of the United States from the Coolidge-Hoover Depression, which saved the United States from Nazism.

## The Real Nazis

Now, Nazism was not people wearing swastikas in brown shirts or black shirts. Nazism was a creation of a group of international bankers, like Felix Rohatyn today, and his co-thinkers today; like the co-thinkers of the Bush Administration in economic policy today. Notably like George Shultz, who qualifies, really, as a kind of Schacht of the United States: a real Nazi, a real banker behind Nazism, as Schacht was a banker behind Nazism in Europe.

This is presently, already, in political character, this government, this administration, is already a fascist government, a fascist regime. Unless it is defeated, unless it is defeated before it consolidates its position and role in the world, as

we've seen since Sept. 11, 2001, the world will go into a fascist spiral, worse than Nazism, from which civilized humanity would not emerge for generations yet to come. No part of this planet could survive—including China, including India—could survive a collapse of the United States under present conditions.

*And I had to stop it. I had to be the equivalent of Franklin Roosevelt.* Because there was nobody else in a leading position in the United States, or otherwise, who was qualified to do *what I had to do*.

Therefore, I had to put myself in a position where the processes about us would put me in the position, potentially, of providing the leadership needed to move this nation off its previous course, its previously habituated course, to adopt the kind of policies, and policy changes, the kinds of initiatives which I understood had to be made.

Therefore, I was ruthless, as ruthless as required, and as ruthless toward myself, as toward others around me, and toward the Democratic Party and its leadership, and other relevant institutions: Because, I knew that what I knew had to be done, *had to be done!* And the penalty would be the extinction of civilization on this planet, for some time to come. So I pushed myself. I pushed my organization, over their strong objections and even attempts at sabotage, in order to get the campaign going for the year 2004, the way I did. I pushed against all opposition, though there was some successful sabotage in the process, naturally. I pushed against all opposition, to have us march into Boston, in the Boston [Democratic] Convention. There, by doing what *I forced upon the organization* (with the support of some of us), but over the objections of many, *I forced the situation*, so that we were in a position of leadership within the Democratic Party, from the time of that convention onward. It worked!

The opponents of this were wrong! They were not only intellectually wrong, they were morally wrong. Because they had a different agenda, than recognizing the need was to prevent now what Roosevelt made it possible to stop in 1939 on.

That's the situation we're in today. I pushed. I pushed. We succeeded in getting a secure position in the leadership of the Kerry campaign, in our contribution to that effort. It worked. Kerry may have been elected, actually, by an honest count. We don't know. But we know the fraud machine of the Nazi regime, the "Rubber Room Regime" of President George Bush—Rubber Room means the Oval Office, there are no corners on which he can hurt himself.

We came to the point that the election was being counted. Suddenly, people lost their nerve! We stepped in. We turned the situation around. We got a fighting organization going, in the Democratic Party. On Nov. 9, I delivered a webcast, which changed the dynamic in the Democratic Party, and put us on the road in the direction toward victory. It worked. And so it went, through December. And so it went, with my trip to Europe, and so it went along the way.

We have pushed for the kind of leadership I knew we



*President Franklin D. Roosevelt signs the Declaration of War, Dec. 8, 1941. FDR saved the world, and saved the United States itself from fascism. If he hadn't acted as he did, "we'd been in Hell a long time ago."*

needed to prevent this planet from falling into the hands of the friends of George Shultz, who represent a sort of a stupid version of Hjalmar Schacht, but nonetheless one who could not establish a world Nazi empire, but could establish a world of chaos, from which civilization would not recover for a long time to come.

### **The U.S. Must Take Leadership**

Take for example: There were some people in the world, who think that if the United States under Bush were to collapse, that would be a good thing! Because then, geniuses in Europe would suddenly take leadership, and the world would be better. There are no such geniuses in Europe! That China, as a nation of the future, would triumph from the collapse of the United States—bunk! The collapse of the U.S., the collapse of the U.S. dollar, would cause a crisis in China from which it could not really survive. The same is true for India and the rest of the world. The United States, again, because of something embedded in its history, in its character, must again take the leadership, and prevent this crisis from going to its full extent.

And I'm in the center of it. I have to keep pushing: Because I have the knowledge, the understanding, to do what needs to



*The LaRouche Youth Movement at the Democratic Party Convention in July 2004. The LYM's intervention was a turning point in the party, which had hitherto been flailing about, with a lackluster Presidential campaign. "I forced the situation," said LaRouche, "so that we were in a position of leadership within the Democratic Party, from the time of that convention onward. It worked!"*

be done. I have lived my life—as I can say, looking backwards—I have lived my life for these days, these older days in my existence. This, in future history, will be acknowledged as the immortal purpose of my life: To save civilization. To provide a kind of leadership which can not be found, an ingredient of leadership anywhere on this planet, except in me. I have to do it.

Now, I'm not trying to convey the idea that there's something terribly wrong with me, physically. There is not. What happened is, between the 10th, 11th, and 12th of December past, until about this time, I have abused myself massively, in doing things from which I should have refrained, if my good health had been my primary concern. But my primary concern is my immortality, and not my mortality. You defend yourself against mortality, but your purpose lies not within the bounds of mortality. Your purpose lies within *what is immortal in you*. And what is immortal in each of us, is our mission.

For example, the typical mission is that of the scientific discoverer. The scientific discoverer makes a discovery of universal physical principle, contrary to prevailing opinion prior to that point. The discoverer goes on, and transmits that discovery, or knowledge of that discovery to others, by invoking the experience of the generation of that discovery in others. These discoveries, like the discoveries of Archimedes of Syracuse, for students today; or Archytas of Tarentum, also, similarly.

These discoveries of principle—the discoveries of music, the principles of music by Johann Sebastian Bach—these are discoveries, which, through their replication from generation to generation, from mortal being to mortal being, establish the person who makes these discoveries and transmits them, or engages in transmitting them, as having achieved immortality. Because their contribution to humanity is now a perfect contribution to humanity, a contribution to the perfection of the human species; to bring humanity to a higher level, through sharing of these kinds of discoveries, of which only a human being can make, from one generation to the next.

And we have, each, in the course of our life, if we have a meaningful life, to find out what it is, that is our immortality. And we dedicate ourselves to that immortality. It is on this account, for example, that last year, in the

Martin Luther King celebration, where Amelia and I had a good time, that I presented the case of Martin Luther King, as comparable to that of Jeanne d'Arc. Martin, unlike other leaders of the civil rights movement, at that level, understood that he was putting his life on the line, for his mission, for his immortality. Other people who belong to a generation which has become more corrupt—and I shall deal with that—didn't have the strength to stick with the fight, and to continue it the way Martin did.

### **The New York Teachers' Strike**

Let's take a little specific part of our experience as an organization: Tony Papert, who also sits in this room, was sitting in Low Library, Columbia University, with a bunch of strange creatures, in a strike movement which was a reflection, in part, of the civil rights movement, then under the leadership of Martin Luther King. There was, at the same time, a bunch of scared bunnies meeting down in the Sheeps' Meadow (an appropriate place for them) in Central Park, who weren't willing to participate in that fight directly.

But then, Martin was killed. What happened? Suddenly, Martin dead, McGeorge Bundy of the Ford Foundation pulled his trick out of the bag. Earlier, the teachers union, the United Federation of Teachers in New York, had entered a collaboration with the Ford Foundation under Bundy, for a program ostensibly to promote the improved well-being of students in



*Dr. Martin Luther King, Jr. addressing supporters in Selma, Alabama. After King's assassination, his successors were not up to the tasks of leadership, and the civil rights movement degenerated. That change "led into the demoralization, the decadence, the disgusting decadence, of the culture of the United States up to this point."*

education in New York City. What happened then, after Martin had been killed, is that the leaders who had been drawn into the civil rights movement, suddenly became thieves, determined to loot the education system of New York, in order to provide jobs and special grants for themselves. And they organized a strike, an attack, an attempted race riot, against the teachers of New York City.

Well, who were these teachers? Now, Al Shanker, the head of the United Federation of Teachers, was a Schachtmanite—it's a strange species of leftist, which I wouldn't demand that you study. But, he represented something more. And the teachers union of New York City represented something much more than Al Shanker (who was not all bad): They represented a group of people, in New York, who had been the leading supporters of the civil rights movement, as typified by Martin Luther King. These were people who came from the background of the Eastern Europe Jewry, who were the foremost factor in support, in rallying support to the civil rights movement.

So, now you have, Martin is dead. And people who should have been part of the civil rights movement, as African-Americans, had turned from being part of the civil rights movement, into the "I Wanna Steal for Me Movement," stealing from their closest ally, the Jewish teachers of New York, who had been the first and foremost, from New York City, in defending and promoting the civil rights cause around Martin Luther King.

It was in that way, that the civil rights movement degenerated. And never became, to this day again, what it was then. It became a "what can you get for me?" "where do I get my money from?" movement. Not a movement for humanity, not a movement for immortality, but a movement for the mortality of cash-in-pocket. And that's what killed the civil rights movement.

It was that kind of change, in the United States, after the death of Martin, which led into the demoralization, the decadence, the disgusting decadence, of the culture of the United States up to this point. We lost morality. We got Nixon, as a result of such a change, *because there was no movement any more*. There was a movement in name, but not in fact, not in motion.

## August 1971

So then, we got August 1971: Shultz, of the Chicago School. We got the Azores Conference, the floating-exchange-rate system, directed by Shultz! Kissinger's boss, and the tyrant, who moved on to install the fascist dictatorship of Augusto Pinochet in Chile. And whose efforts sponsored the unleashing of a Nazi-based mass-murder movement throughout the Southern Cone of South America: Operation Condor.

Then we got Brzezinski, who is different, but in a very queer way. And Brzezinski proceeded to destroy the physical economy of the United States, by things such as deregulation. And by bringing in his crony Paul Volcker, also a crony of Shultz, to destroy the U.S. banking system.

We went on and on and on. And the changes that prevailed, with the exception of our intervention on the SDI, the changes which prevailed took us down the road, worse, and worse, and worse. Under politicians who were not bad—but who went along. And therefore, by going along, they fostered the degeneration of the United States. And it went on and on and on, through 2000.

The shock came, with the certification of the election of George W. Bush. And there was a trickle of resistance, largely from the civil rights faction inside the Congressional caucus. But not much more.

We staged a fight to defend health care in the United States, at a most crucial point: the D.C. General Hospital. We were betrayed! Not everybody betrayed us. Not everyone betrayed the people of Washington, D.C., but many did—even many people from the black ghetto!—who were told,

that by shutting down D.C. General Hospital, there would be real-estate improvement opportunities, in which the value of their stock holdings would be improved. Just like some people who say, “We’re going to betray Social Security, because we’re going to get special treatment for black people, by betraying Social Security and we’ll get a slice of the pie.” This is corruption!

And then, we came along through the war, the war in the Middle East, the terror, and the looming sense that the system is coming down. And it is coming down. It’s coming down now. *Nothing can save this system, this world system, this United States system, in its present form!* The date of death of that system is not yet written, but the inevitability of it is. If we as a people in the United States do not change—and there is a movement for change—this nation is finished!—*with most of the people in it.* And the chain-reaction effects of that, will be that the society, civilization on this planet is finished.

*I know what to do.*

More and more people in leading circles in the Democratic Party and elsewhere, are beginning to recognize, that I do know what to do. What I did in Berlin, at the Berlin seminar, is typical. *I know what to do.* The idea I presented there was not presented by anyone up to that point. I’ve been developing this idea, since my youth, practically—since the end of the 1940s: the ideas of Vernadsky and their implications for understanding economy, for understanding the future of humanity. We spread this thing, but it was not activated. It was not pushed as something which is real, for now. In Berlin, we pushed it. We’re going to continue to push it.

My job now, is, having reached a position of leadership, of growing leadership influence, is to use, from my stock of immortality, what is known to me and understood by me—as not by others around me or by others generally—to use that knowledge, and the passion which I have, through which I express that knowledge, to push this planet, including the leaders of the United States and others, into taking the kinds of actions which echo, for our time, what Franklin Roosevelt did for his time.

Therefore, I have unique qualifications. And I have, as long as I stick to my cause, I have my immortality. And when you have your sense of your immortality, you are undefeatable, as was Jeanne d’Arc; as we shall prove eventually, as was Martin Luther King. His trip to the mountaintop: He proved it. *His work is immortal. He is immortal*—where those flinched and went in the other direction, *are not.*



*President Nixon meeting with Cabinet members on May 4, 1971, a few months before he killed the Bretton Woods system—on orders from George Shultz. Left to right: Arthur Burns, John Connally, Nixon, Paul McCracken, Shultz.*

## **FDR Betrayed**

The problem of our society, cultural problem, which is a product immediately, mostly of the post-war period, Roosevelt could not die, before Truman and his friends would betray the United States. And they did so! I came back from the war to the United States, in 1946, in April 1946. What I came back to, was not the United States which I had left. I had left the United States under Roosevelt’s leadership, a United States on a course toward freeing the world of colonialism, of imperialism. A world committed by Roosevelt, to the freeing of colonial nations, and developing them into fully mature, economically matured and culturally matured nations; to establish an echo of the Treaty of Westphalia of 1648, in a community of common interest, and mutual interest among nations, which had been Roosevelt’s intention.

Churchill had wanted none of that. Churchill was determined to defeat Roosevelt. He was determined to save the power of the British Empire. Which is not the power of the British Empire, in terms of Redcoats: It’s the power of the British Empire in terms of financial power! The power of a private banking system. An international, independent banking system, which rules the world through its money.

Roosevelt was determined to end that. Churchill was determined to maintain it. Truman was a fool, running errands for Churchill and his kind.

So, I came back to the United States, and I found, first by instinct, that we had lost World War II—not to the Nazis, but to Nazism. That under Allen Dulles and others, the hard core of the Nazi system was preserved, and was moved into what became key positions in NATO, and similar positions. The philosophy of Hjalmar Schacht, and others who had brought



Gen. Dwight D. Eisenhower with President Harry S. Truman, July 15, 1945. When he became President, Eisenhower saved the country from some of the worst of Trumanism, because he was an American traditionalist.

the Nazis to power, was ruling in Europe, and in the United States, too. This was a right-wing turn, which I recognized already, coming back in '46. That the right wing had taken over! And the so-called anti-Soviet campaign was a part of a right-wing movement, not something caused by Joe Stalin, who was a pragmatist. Not something that would have happened under Roosevelt. But happened under Churchill and Truman, and those who controlled and owned Truman.

I found the United States' institutions were filled with Nazis, people who had been anti-Roosevelt, and *pro-Hitler*, in the 1930s, and early 1940s, were running large parts of the United States. This became the right wing. This became the anti-Communist movement. This became the Congress for Cultural Freedom.

The whole fight, the whole idea of a Communist Soviet-American conflict was a fraud! So you challenge and threaten the Soviet Union? Stalin reacts! What do you expect? So, now we—we have created, out of nothing, so to speak—we have created a condition of threatened nuclear warfare! And the policy of the United States, under the leadership of that great pig, Bertrand Russell, was a policy of *preventive nuclear war*, a policy of *preventive regime change, globally, to produce world government!* Globalization. This was the Nazi system. And this is what corrupted us.

But then, it was worse: Because, I looked around me among my friends, my generation who had gone to war, from 1946 through 1948 and beyond, but especially '48 was the turning point—they became pigs. They went from patriots, to cowardly pigs. Their wives would say, "Don't get us into

trouble! Don't lose your job! We've got a home to build! We've got a family to build! Get a better education, quick—we don't care if it's any good or not, but just get, get the certificate—get a better job!" "Be careful what you say. Be careful what you don't say! Learn to get along."

## A Nation of Sophists

And, we became a nation of sophists. And the founding of the Congress for Cultural Freedom, which taught sophistry as a philosophy, typified this. My generation, the parents of the Baby-Boomer generation, were totally—not to the man, but in the great majority—pigs, who betrayed humanity for the sake of, "What do I want to be overheard saying?" That was the right wing.

What saved the United States were two things, essentially—apart from the fact that the Korean War had not turned out the way that some people in Washington had intended. The Soviet Union had developed the first usable thermonuclear weapon. And that put the stops on Bertrand Russell's plan, for preventive nuclear warfare to establish world government.

So then, they went to a new phase, which became known as "détente" in the course of events: That is, let us use thermonuclear weapons, and their missiles to carry them, as a threat! So that you will have a mutual threat! And this mutual threat, called "détente," will run society. And this was the culture!

Eisenhower saved us from some of the worst of it, because he was an anti-right-wing force. He was an American traditionalist, in the same sense of Douglas MacArthur. He believed in the American System, in the sense that Roosevelt believed in the American System. He was weak on his economics, and taking Arthur Burns into his government was not the best idea he could have had. It was something he picked up from a rubbish bin at Columbia University, where the two met.

And so, in this way, the Baby-Boomer generation became totally corrupt: Because their parents—the parents from my generations—*raised them to be corrupt*. Raised them to be "successful," which was to be corrupt. Raised them to forget all long-term objectives, to think about immediate pleasure, immediate personal financial security and betterment. A better neighborhood, a neighborhood without the neighbors you don't like—these kinds of things.

We became corrupt. We no longer believed in truth. People would not say what is true; they would say, "Wouldn't it be better, and more prudent to say 'this,' instead of 'that'?" "Instead of telling the truth, isn't there a better way to 'manage' social relations?" "Isn't there a way to practice social work, instead of telling the truth?" And if everybody can

feel good about each other, and rub bellies together, isn't that better?

At the same time, because of a lack of regard for truth, which virtually 80% to 90% of my generation adopted, that is, rejected the idea of truth: Eighty to ninety percent of my generation, returning from the war, rejected the idea of truth! And the rejection was based on this idea, "We're in this great struggle against Communism. Don't tell the truth." "Be careful what you say." "Crawl. Kiss butt. Teach your children to kiss butt, or they won't be successful." Or, if your child says the wrong thing in the wrong place, "your daddy loses his job!" That was true all through the 1970s, into that period.

So, we live in a police-state mentality, we don't tell the truth.

## The Question of Immortality

Now, this question of immortality, the ability to lead, the ability to adopt a policy, to provide the kind of leadership which humanity requires, means looking ahead. It means looking ahead to the consequences, not necessarily just to today, or next week or next year—but of a generation from now, or two generations from now. What is the effect of what we do, or fail to do, on the condition of humanity a generation or two generations ahead? Not just next year; not just the next five years; not just getting by; not just being considered successful—but, actually making a contribution, a needed contribution, to the outcome of life, in the nation, in the world, for the next decade, or two decades, or longer.

Every great person that we remember in science or history did that. They didn't succeed always in their lifetime by the ordinary standards of success. But, had they not done what they did, the success which came later would never have been possible! And they knew it.

Look into the future, and say, "I know what the future holds." You have to know that. It has to be the truth. And once you know that is the truth, you have to act accordingly, *whatever the short-term risks to the contrary are implied.*

If you do not believe in truth, then you're incapable of immortality; you're incapable of a sense of what you would be willing to die for. And, if you don't have a commitment to a sense of what you would be willing to die for, what positive purpose, *you have no morality; you are only a sophist, a sycophant of popular opinion.*

And that's what I've had to fight against, even in the generation of Baby Boomers in our own association. Now, knowing this, and knowing the crisis we were coming into, I seized upon the opportunity to initiate a formal youth movement. You will observe in the formal youth movement, crucial elements which reflect my knowledge of the *access to immortality*: I can offer these youth nothing. We don't have any money. I can offer them nothing, except immortality: Access to immortality.

What does that consist of? It consists of, first of all, of being committed to truth as knowledge. Not to certified



*After the Presidential election, the Democratic Party lost its nerve, but LaRouche's Nov. 9, 2004 webcast changed that. "It changed the dynamic in the Democratic Party, and put us on the road in the direction toward victory."*

knowledge, not to academically certified knowledge. Not to popularly approved knowledge, but to absolutely certain knowledge. What is the kind of truth that is absolutely trustworthy? Well, the truth is a universal physical principle, for example, like Kepler's discovery of universal gravitation. That is an idea, of a universal physical principle, which is truth. It is not the whole truth, but it is a large part, a large chunk of it.

So therefore, if young people shift their education away from the usually approved courses, and the usually approved behavior, into discovering, rediscovering, re-enacting, the discovery of certain universal physical principles, then, they know truth. Because, once you know the tests, for defining discovery and proving a universal physical principle, then *you know what truth is*. If you can't do that, you don't know what truth is. If you read a textbook, you don't know what the truth is—because most textbooks lie, anyway. Most professors lie! They have to consider their careers, too, you know.

And so, therefore, we have a movement for truth. The movement for truth has two aspects: the idea of truth in science is old. It's as old as Pythagoras, for example; it's as old as Plato. But, there's also another aspect to this. We think about truth in terms of physical science—we know that, we have that. What we're doing with the youth movement on these ideas of principle establishes that.

## Classical Artistic Composition

But there's another aspect, which is typified by the challenge of Bach's *Jesu, meine Freude*: There are the principles of Classical artistic composition, as in great Classical poetry,



A LaRouche Youth Movement cadre school project in constructive geometry, in Cleveland, Ohio. “To be a human being is to be immortal. To be immortal by virtue of ideas, ideas comparable to those of valid ideas of physical science. To participate in continuing the transmission of these kinds of ideas, from previous generations, from previous experience of humanity.”

drama, music, and so forth. These are essential, because it’s by these methods of communication, associated with great artistic composition, that we are able to transmit ideas to one another, ideas of principle.

It is that experience, and the combining of these two things, the experience of the discovery of physical truth, in the sense of universal physical conceptions—the tradition of Leibniz, as that of Kepler before him; the tradition of Riemann, in physical science, on the one side. And then, on the other side, the tradition of the great Classical writers, the great Classical poets, the great Classical actors and tragedians, great Classical musicians. These things, as Percy Bysshe Shelley put it, are associated with a power of “imparting and receiving profound and impassioned conceptions respecting man and nature.” It is the passion to which Shelley refers, in that *In Defence of Poetry*, which I keep emphasizing over the years to you fellows, and others; it is that passion which I have brought to bear on the question of leadership of the United States, to get us safely out of this crisis; it is that quality of passion which Baby-Boomerism tends to push to one side, and says, “can’t we be practical?” And when I hear the word “practical” coming out of the mouth of a Baby Boomer, I say, “Uh-oh! We’re finished. It’s over! The party is over. It’s dead.”

So, what I’ve done, in these five papers which have been presented on this occasion—three were published earlier, and two supplementary ones, including one which is now in its corrected and edited form, in the system, on “Roosevelt’s Miracle”: These represent an agenda of reflection, an agenda

of thought, covering those ideas, that understanding of the history of mankind, especially in modern history—especially the history of European civilization; and ideas about the future of mankind, as typified by the Vernadsky orientation: These are the ideas around which we must organize, and educate the growing numbers of people who are coming to us from within the Democratic Party, the Republican Party, and from around the world. We must convey these ideas with *passion*, the kind of passion which people resented sometimes in our organization, when I was pushing, in the course of the Presidential election campaign; when I pushed in Boston; when I pushed, in terms of the September-October phase of the general election campaign; when I pushed, afterward, on pulling the Democratic Party up off the floorboards and setting it into motion as a living organization, again, with the immediate webcast after that time. It’s what I’ve done. It’s what I’ve spent my energy on—not without some risk, simply because of my age, not because of any specific problem—during

this period.

Because, unless I did this, and did this in a timely way, and did it in the form of passion, to which I referred here, there was no possibility that a leadership will emerge in the United States with a viable capacity for pulling us out of this mess! And, if we can’t pull the United States out of this mess, I assure you, we will not pull the world out of the mess. Because, the systems of Europe will not allow it—why? Look at Europe! Europe never got a true republic—never! They sometimes called them republics, but they weren’t. Europe has been dominated by the Venetian tradition, the tradition of financier oligarchy ruling the world. There’s been no true sovereign government in Europe! There have been stabs at it, periodically—but none!

We have the experience of sovereign government in the United States, as Europe *has not*; as Asia *has not*. No rational conception of sovereign government. That’s the problem with the world.

### **French Revolution Be Damned!**

For example: As I’ve emphasized in these papers, and other sources, because of the French Revolution—let it be damned forever! *It is* damned forever. Because of the French Revolution, the possibility of extending the success of the American Revolution into Europe, was halted. By when Lord Shelburne, the superpower controller of the Anglo-Dutch Liberal system at that time, working with people on the Continent, set up what became the French Revolution, starting with Philippe Égalité/Jacques Necker abomination. Necker was a



British agent, a personal agent of Shelburne! Philippe Égalité was an agent of Shelburne. Danton was an agent of British intelligence. Marat was an agent of British intelligence, deployed by them. Robespierre and company were agents of British intelligence!

And, Napoleon Bonaparte, who superseded Barras and other things, had been an agent of the Robespierre family, and became Bonaparte through intervention of the Martinist cult, which had been created, and was directed from London.

So, as a result of that, as a result of the Napoleonic Wars and their destruction, a true republic *never emerged* in Europe! Never!

But rather, because of the triumph of the British system, the Anglo-Dutch Liberal system, in the Napoleonic Wars and beyond, Europe has been ruled by so-called independent banking systems, or the equivalent. These banking systems, these financial systems, have been *above government!* And dictate to government, as they do in Europe today. No European government, presently, is willing to stand up to the international financial cartel. None. The so-called independent central banking systems *run* Europe, and governments are merely lackeys.

Now, governments may respect people, who have impulses which might cause them, under certain circumstances, to overthrow central banking systems. But, none of them, on their own, has the inclination to do so. And until that inclination is brought about—it won't happen!

We're now in a collapse of the system. The financial forces, the dominant financier forces, which control the so-called independent central banking systems, which control the Federal Reserve System, these forces are actually the same network of forces, which were called the Synarchist International back in the 1920s, when they first, through Volpi di Misurata, put Mussolini into power, under the real designer of Fascism there, Volpi di Misurata—who was a British agent. Hmm? And had been a British agent, in the Balkans and in the Turkish operation, and places like that.

So, these bankers, faced with a crisis in their system, conceived of what became the Nazi system. They created the parties, they created the incidents, they orchestrated the events, to bring these fascists to power.

## Why Did Hitler Persecute the Jews?

You know, one thing about it, is the Jewish issue. Take the case of Hitler. Why did Hitler persecute the Jews the way he did? It wasn't his own idea. It was the idea of the famous, or infamous, Grand Inquisitor of Spain in 1492, on the expulsion of the Jews. This anti-Semitism of that type, has been the hallmark of the right wing of the followers of that Grand Inquisitor, to the present day. The Grand Inquisitor was actually the model used by the Martinists to define, for Napoleon, the role he was to play. Napoleon Bonaparte was a creation, in imitation of the Grand Inquisitor of Spain of 1492, Tomás de Torquemada. This anti-Semitism, as an instrument of control, was transmitted to Hitler—not to Mussolini, but to Hitler.

And the same thing today: We have right-wing Catholics, or so-called "Christians" who follow that line, the line of the Grand Inquisitor, the so-called right wing, have been, and still are *the hard core of the Nazi system as such*. The ideology of Tomás de Torquemada, as transmitted through the Martinists and so forth, is the leading example of *pure evil*, among populations in the world today. It's a product of what? It's an instrument, as it was under Torquemada—Torquemada was an agent of Venice, in the attempt to wipe out the Renaissance.

The Venetian oligarchy, for which he was an agent, was perpetuated in the form of the Anglo-Dutch Liberal system, the banking system. They use this instrument, this instrument of terror, of exemplary terror, as an article faith. You have it in right-wing Catholic circles; you have it in other circles. You have it in the George Bush Religious Right movement! The same thing: You have pure fascism in that.

And what happened under Hitler, to the Jews in Germany and occupied territories, was simply a continuation of the legacy of Grand Inquisitor Tomás de Torquemada, and of the Spanish Catholic right wing. They were not the authors of fascism, but they were the *tools* of fascism, as Schiller refers to this, as Helga dealt with it yesterday.

So therefore, the problem is, we are faced with that kind of danger. We're faced with impotent people in government. A President who belongs in a rubber room.

And we have to save it.

We have to have a conception of history, in which we take account of the kinds of things which I've referred to, and many other things analogous to them, which are of significant importance, to understand humanity from this standpoint. To understand humanity as a quest for a form of society, in which the individual finds his or her sense of personal immortality, in a mission in life, a mission of ideas, ideas which, transmitted to coming generations, provide for a safe future for humanity. And like Jeanne d'Arc or Martin Luther King, if they die in the enterprise, and their ideas live on, then great good comes from it.

And the way to understand this is to look back at the history of mankind before us, in ancient times, and see how this works. See how it works, for example—take the case of Plato's writings, especially on the subject of the death of Socrates, where the same issue comes up. Take the case of Moses Mendelssohn, in dealing with this same question: Throughout history, the question is, what is it to be a human being, and not a mere animal? To be a human being is to be immortal. To be immortal by virtue of ideas, ideas comparable to those of valid ideas of physical science. To participate in continuing the transmission of these kinds of ideas, from previous generations, from previous experience of humanity. And to project the transmission of these ideas, as fighting ideas, that move society to coming generations, as the ideas, which give the people, when needed, the courage to fight, even at the risk of death to fulfill their mission in life.

And that is what we have to do.

And that is what I am full of, today.

# The Global Option for This Emergency: Beyond Westphalia Now

by Lyndon H. LaRouche, Jr.

Feb. 6, 2005

The Feb. 18, 2005 discussions to be held in Northern Virginia will address certain included challenges which are of existential importance for the continued existence of the U.S. republic. Our role in meeting these challenges is now a unique capability, and therefore a unique responsibility, for reviving the kind of U.S. leadership for today which had been manifest under President Franklin Roosevelt prior to his most untimely death. This involves a capability which is inherent in both the unique characteristics of our republic, and the special influence which the presently U.S.-dollar-dominated, but collapsing, present world monetary-financial institutions have for determining the immediate period's well-being of mankind as a whole.

As I have argued on earlier occasions, the world as a whole has reached the point of development, at which the assured continuation of civilized life on this planet requires us to reject the follies of experiments in so-called "globalization," in favor of a system of respectively sovereign nation-states which would have established a form of planetary system of cooperation. This would be the establishment of a form which is most fairly described as a realization of the same aims and principles which were implicit in that 1648 Treaty of Westphalia which brought to an end both the inherent evils of ultramontane feudalism, and ended, for that time, that impulse toward religious warfare which has returned to much of the world today: an impulse presented under the twin lunatic guises of so-called "religious fundamentalism" or racism, a moral degeneration presently integral to those follies of so-called "globalization," which threaten the continued existence of civilized life on this planet today.

As I have emphasized on earlier occasions, the pivotal challenge to be recognized today, is the fact that we have reached the point that civilized life requires a forceful suppression of efforts to establish an ultramontane or other mode of imperial control over the planet as a whole, a control being attempted now through the rise in the roles of speculative monopolies in control of essential so-called "raw materials." There is no intrinsic shortage of necessary raw materials, if sovereign nations cooperate to develop the raw materials of

this planet in ways which ensure an increase in organized supply adequate for the inevitably growing requirements of all nations.

This is a point in world financial-monetary, as well as physical-economic development of nations, at which the assurance of both fair prices and adequate supply for what we presently view as the raw materials needs of nations, means that orderly economic relations among sovereign nation-states, require establishing long-term agreements under a new system of fixed exchange-rates, a system in which the stability of supply of needed raw materials at fair prices is the primary factor of a global system of long-term capital formation, through cooperative management to this effect over forward intervals of approximately two generations.

At the present moment, the world is gripped by the effects of foolish decisions which undermined and destroyed the fixed-exchange-rate monetary system which had been established at the close of the 1939-1945 warfare. Increasingly wild-eyed financial speculation, is capped by the sheer lunacy of a financial-monetary system rife with madcap financial derivatives speculation. Most of the nominal financial claims associated with the speculative orgies of the 1971-2004 interval could never be satisfied. Yet, to make a safe transition from the present homicidal lunacy of the world's current monetary-financial system, we must maintain the security of a system for those long-term monetary-financial assets which are expressed as essential forms of present and future public and private improvements in the physical-capital preconditions of civilized life of nations and their peoples.

To establish that needed reform of the world's monetary-financial system, it will be necessary to predicate the security of essential forms of capitalization of such long-term assets by pledging the security of financial capital against a program of vigorous development of the essential basic raw materials available to a community of nations, each and all engaged in common goals of improvement of the productive powers of labor and conditions of life for generations still to come.

This consideration of the implications of raw-materials development and management, provides the principled basis for a long-term, fixed-exchange-rate system.

In general, this means establishing a new monetary sys-



*“There is no intrinsic shortage of necessary raw materials, if sovereign nations cooperate to develop the raw materials of this planet in ways which ensure an increase in organized supply adequate for the inevitably growing requirements of all nations.” Here, an oil pipeline and refinery.*

tem under the renewed principle of the Treaty of Westphalia, as applied to these present circumstances and their challenges. It requires little more than a fair estimate of the situation to suggest, that in taking such steps for progress under conditions of the ongoing general breakdown crisis of the world’s present, self-doomed monetary-financial system, we must recognize that we are embarked on the implied measures of general reorganization of the world, a reorganization whose initial phase will be not less than two generations, which is to say, in terms of requirements of modern society and its technology, two generations aggregating to about 50 years. Agreements to such effects must be the premise for reconciling the relations between valid existing capital assets and the terms of repayment of capital obligations, that over an initial base period of about 50 years.

The only present alternative to such measures of reform, would be chaos, and, most probably, a prolonged new dark age for humanity as a whole. At this very moment, the world as a whole is at the brink of such a global, chain-reaction collapse.

The political situation thus confronting the participants in that meeting may be summarized as follows.

### **The Political Crisis**

Especially since the first year of the George W. Bush, Jr. Administration, more and more of the world at large has tended more and more toward the wish that the U.S.’s own self-inflicted crises would soon eliminate the U.S.A. as a dominant factor in the foreseeable future of the planet. Such wishful views delude those who believe that the ruin of the U.S.’s

influence would thus free the rest of the world to go its own way. That increasingly widespread wish, must be denounced as a delusion. It is a belief whose effects would be the ruin of civilization as a whole for a long time to come.

The post-1989-1991 influence of the U.S.A. as what some regard as a self-estimated monopole of world destiny, is exaggerated in many ways. The U.S. role today is merely that of an instrument of the same Anglo-Dutch Liberal imperialism which the U.S. fought, for its independence and Constitution, during 1776-1789, against the Anglo-Dutch Liberal-imperialist system from which President Franklin Roosevelt’s leadership had temporarily freed the U.S., until the virtually treasonous monetary reforms led by the relevant Anglo-American financial powers of 1971-1972. Nonetheless, although the U.S. control over the present monetary-financial system is widely misunderstood by popular opinion around the world today, the outreach of the present, post-1991, U.S.-dollar-denominated form of Anglo-Dutch Liberal world system, has such a dominant role within the world’s present continuation of that world’s monetary-financial system, that, in the present crisis-circumstances, the fate of humanity as a whole depends upon certain leading, dollar-based remedial initiatives by the U.S. government itself.

Thus, although it is the presently degenerating, Anglo-Dutch Liberal system of 1763-1914 which is again ruling the post-1971 world of today, today’s form of that world system as a whole now requires initiatives, to create a new financial-monetary system, under which the world as a whole depends on certain global initiatives of monetary-financial reform which could not be introduced without the role of certain



*The IMF Executive Board, meeting in Washington. The U.S. role today is merely that of an instrument of the Anglo-Dutch Liberal system—the same imperial, ultramontane system against which the United States fought for its independence during 1776-1789.*

specific kinds of initiatives which must come from inside the U.S.A. itself.

For example:

Were the U.S.A. government so recklessly foolish as to tolerate George “Hjalmar Schacht” Shultz’s Pinochet model for raiding the U.S. Social Security system of trillions of dollars, the situation for both the U.S. dollar and the world monetary-financial system generally would become immediately hopeless. Take into account the pattern of spiralling fiscal and current-accounts-deficits of the U.S. dollar, and the role of that dollar in defining presently, the financial-derivatives-rotted-out fiscal and monetary systems of the world at large. The chain-reaction effects of the consequent, already looming combined, U.S. fiscal and current-accounts deficit, would not merely sink the U.S. dollar, but this collapse of the dollar would have immediate, devastating effects throughout Eurasia and beyond. No part of the world as a whole is presently situated to avoid being sucked into the global chaos which such a development would ensure.

While no one could possibly calculate in advance exactly how bad the effects of the now onrushing general monetary-financial collapse would be on the planet as a whole, it is certain that the results of failure to take the options which I have proposed would be both more or less awful, and assuredly planet-wide.

Thus, a presently most probable, early collapse of the U.S. dollar system as such, has effects with which no part of the world could cope effectively, except by aid of certain political initiatives from the U.S.A. itself. The measures to be taken are of a nature which could not be possible within the framework of the post-1971 model of that Anglo-Dutch Liberal form of post-FDR monetarist system, which came into being through the keystone role of the U.S. Nixon Administration’s George Shultz and his confederates. Only a prompt return to the principles of the American System as defined by President

Franklin Roosevelt’s leadership at the founding Bretton Woods conference, could provide the needed foundation for the urgently needed form of programmed stabilization of dollar-linked debt, a form of stabilization of fungible long-term debt-capital needed for the situation facing the coming two generations of this planet at large.

Therefore, the pivotal point to be stressed in all discussion of this matter must be the following:

In this circumstance, only actions which stabilize the U.S. dollar’s un-avoidable present role as presently denominated, WORLD RESERVE CURRENCY could avert the threatened plunge of the planet into a global catastrophe comparable to Europe’s 14th

Century “New Dark Age.” What is required is emergency reorganization of the present world monetary system as in a bankruptcy-reorganization conducted by cooperation among certain sovereign governments of nation-states, especially the leading nation-states of North America and Eurasia.

The success of any attempted such rescue-action depends upon the ability to freeze certain kinds of both presently existing, and newly added long-term, dollar-denominated physical assets at defensible, relatively fixed financial prices, prices which can be made to hold for not less than the long-term interval of a quarter to half a century. This latter condition must be secured to provide a credible basis for a return of a global, fixed-exchange-rate monetary system comparable to the intent expressed by U.S. President Franklin Roosevelt’s leading role in creating the original Bretton Woods System.

The new monetary system, so grounded, must be intended, by design, to provide support for a newly expanded system of long-term treaty-agreements, especially agreements focussed upon cooperation of the U.S.A. with the growing cooperative development trends among leading nation-states of the Eurasian continent. Without such a programmed form of long-term cooperation of the U.S.A. with the kind of cooperative development within Eurasia which I have specified as in the form of cooperation of western and central Europe with a Russia-China-India Productive Triangle, no practicable solution for the planet as a whole exists for the next two or more generations to come.

### **The Bretton Woods System**

The greatest intellectual obstacle to understanding the required modes of emergency reform to be made immediately ahead, is the failure of most, including so-called professional economists inside and outside the U.S.A., to recognize the deep roots of the intellectual incompetence which allowed the change from President Franklin Roosevelt’s Bretton Woods

system to the present floating-exchange-rate monetary system to emerge under ideologues such as the U.S. Nixon Administration's chief "Chicago School" ideologue George Shultz.

This is not to go so far as to argue that most leading economists of the world's recent generations have been simply stupid. Some economists and financial specialists are skilled in their own way; their fault, in allowing the degeneration of the world's monetary-financial system to go as far as it has, has been, among both Soviet and so-called Western economists, that they locate their skills in working within the existing system, without due consideration for those flawed underlying axioms which have led, repeatedly, to the great crises of modern European civilization (in particular). Therefore, for reason of that kind of intellectual shortcoming, they limit their proposed reforms to changes within the bounds of those philosophically reductionist, empiricist or related axiomatic assumptions which have, in fact, been the root of every major economic and strategic crisis which globally extended modern European civilization has experienced since the Fall of Constantinople.

Contrary to those trends in so-called expert opinion, my own, essentially Platonic views on the subject of systems of physical economy, are those which I adopted largely as echoes of my reading of the work of Gottfried Leibniz. For me, European civilization, in the nobler sense of the term, is distinguished by that struggle to define society in terms of those creative powers of the individual mind which distinguish the human individual absolutely from the beasts. It is those discoveries of universal physical and Classical artistic principle, which history associates with the legacy of Thales, Solon of Athens, Pythagoras, Socrates, Plato, et al., which define the meaning of the terms "the human individual" and "society" for the purposes of competent statecraft, then as now. That is to emphasize that it is that sovereign creative power of hypothesis-making, through which experimentally validated universal principles of the universe are discovered and applied, that distinguishes man from the beasts.

From this vantage-point, the evils of European history, such as the reductionism of the Greek Sophists and their like, the Romans, and the imperial ultramontanism of the Venetian financier oligarchy and its Norman Crusader allies, is a crime against that feature of the nature of man which sets the human individual apart from the beasts. Thus, for us, the Classical Humanists so defined, it is the development of that quality of the human individual which must be chosen as the purpose of society, and the standard of practice by which society, its laws, and its customs are to be judged as good or bad.

Thus, for us, the modern Classical Humanists, the 15th-Century European Renaissance, as marked by that great ecumenical Council of Florence which liberated Europe from the legacy of the Venetian-Norman ultramontane tyranny, is also the Renaissance which built the foundation of all that is good in globally extended modern European civilization. That is the good for which we have been forced to struggle against

the Spanish Inquisition, the waves of religious warfare which that Inquisition unleashed, and against evil Venice's successor, the tradition of that Anglo-Dutch Liberal financier-oligarchical imperialism which has been the dominant influence in the world during most of the period since the February 1763 Treaty of Paris. The creation of the U.S. republic must be recognized as the leading revolt against that Anglo-Dutch Liberal tyranny from within Europe, during the time of the American Revolution of 1776-1789, a revolt which was also expressed, most notably, under great U.S. patriots of that tradition, such as Presidents Abraham Lincoln and Franklin Roosevelt.

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*The greatest intellectual obstacle to understanding the required modes of emergency reform to be made immediately ahead, is the failure of most, including so-called professional economists inside and outside the U.S.A., to recognize the deep roots of the intellectual incompetence which allowed the change from President Franklin Roosevelt's Bretton Woods system to the present floating-exchange-rate monetary system to emerge under ideologues such as the U.S. Nixon Administration's chief "Chicago School" ideologue George Shultz.*

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Unfortunately, the anti-Roosevelt, factional allies of Winston Churchill within the Anglo-American war-time alliance, used the occasion of the death of Franklin Roosevelt to subvert, and rapidly reverse the great achievements under Roosevelt. Thus, from the death of that President Franklin Roosevelt, until the typical role of George Shultz in the wrecking of the Bretton Woods system under President Nixon, it was the lingering benefits of Roosevelt's assertion of the American System of political-economy, the anti-British Bretton Woods system, which played the leading progressive role in promoting world economic development during the 1945-1971 interval.

The attempt to define a post-Soviet world history as a U.S. strategic monopole has promoted the widespread delusion—among those who wished to be deluded, in Europe and elsewhere, that the present world system is an American



*America's first Treasury Secretary, Alexander Hamilton. In today's crisis conditions, only actions which stabilize the U.S. dollar's role as a world reserve currency could avert the threatened plunge of the planet into a global catastrophe.*

imperial system. On the contrary, it is a reassertion of the Fabian Liberal imperialism of the followers of Anglo-Dutch Liberalism's Lord Shelburne, but under circumstances in which the wildly speculative, U.S.-based factions of today's world-wide Anglo-Dutch monetary-system, have come to play a dominant political role of control within the world's present form of imperial role of the Anglo-Dutch Liberal tradition as a whole. Thus, the remedy for the world at large, becomes now the breaking of the grip of that international financier-oligarchical faction over the control of the present world monetary-financial system, a break which, by the nature of current realities, must be made initially from within the U.S. itself.

In harsh reality, such a needed rescue of the world from the present monetary-financial crisis, could occur only in the form of a return to the specific principles of the original Bretton Woods system. That initiative must come from within the U.S.A., or it will not come at all.

It is time to dump the farcical assertion that the fixed-exchange-rate of Franklin Roosevelt's International Monetary System, was the adoption of a "Keynesian" system.

As John Maynard Keynes wrote in the special, German introduction to the first, Berlin publication of his General Theory, Keynes' system was, as he correctly claimed, most agreeable with a Germany under Nazism. Keynes saw himself as a central banker within the bounds of a form of international financier-oligarchy of the same type as his Synarchist International contemporaries of the 1920s and 1930s. Roosevelt was an advocate of the Hamiltonian national banking implicit in the U.S. Federal Constitution and the leading adversary of the Synarchist International financier bloc of that time.

The bankruptcy of all of the U.S.A.'s western and central European rivals under the processes of 1922-1945, created the opportunity to assert the primacy of the U.S. fixed-exchange-rate system, and to impose the principles of that system for what proved to be a temporary subjugation of what had been the 1763-1933, global imperial supremacy of the Anglo-Dutch Liberal financier-oligarchical system. Although U.S. President Truman did not wait for President Franklin Roosevelt's burial, to go over into the anti-American camp of Winston Churchill's financier-oligarchy imperialism, it was not until the Nixon Administration, under the guidance of technicians such as George Shultz, Henry A. Kissinger, et al., that the Anglo-Dutch Liberal faction was able to rid itself of Roosevelt's American System, by creating that floating-exchange-rate system whose internal logic has brought the world now to a state far worse than merely general bankruptcy, to the condition of a presently onrushing, general breakdown-crisis of the present world system.

The outcome of these leading developments of the just-past 20th Century, produced the anomalous fateful state of world affairs today.

What Nixon's advisors, such as Shultz, and also relatively lower-ranking figures such as Henry A. Kissinger did, was to place what had become the U.S.-dollar-denominated system under the control of an international financier-oligarchical cabal, in which relevant U.S. elements were merely a leading financier interest. The result of the changes in the system, which had begun with the United Kingdom's first Harold Wilson government, and continued through the sweeping changes in monetary-system architecture over the 1971-1982 interval, has been to use the U.S. dollar-denominated international monetary system, to build up a mountain of debt within what has been chiefly a dollar-denominated system, a grotesque caricature of the pre-1933 Anglo-Dutch Liberal global imperium.

Thus, since the major portion of financial assets of the world today are denominated in IMF dollars, and since the hyperinflationary build-up of short-term investments in debt has come to vastly outweigh long-term financial capital holdings in real capital holdings, and that at a greatly accelerated rate under President George W. Bush, the presently onrushing collapse of the U.S. dollar has created a situation in which only a reform of the U.S. dollar in accord with the precedent



*“The great and crucial portion of the new capital-formation in basic economic infrastructure, will be as international capital associated with long-term treaty agreements among sovereign nation-states.” Here, a U.S. Army Corps of Engineers project for construction of a retaining wall at Sargent Beach, Texas, on the Gulf of Mexico.*

of Roosevelt’s Bretton Woods design would permit the kind of reorganization in bankruptcy to which the entire world system must be subjected today.

It is only through the recapture of the political leadership of the U.S. by forces dedicated to the Roosevelt legacy of the original Bretton Woods system, that the world-wide behavior of the U.S. dollar can be brought into conformity with the kind of required reform on which long-term stability of fungible forms of debt-capital can be organized for the planet as a whole.

This does not mean U.S. imperialism; but, exactly the contrary. It means that the initiative of the U.S. as a sovereign nation-state republic, is crucial for any attempted reorganization of the world monetary-financial system. It is chiefly the world’s U.S.-dollar-denominated financial debt, which must be reorganized, even that debt held as a sovereign asset of other states. The system required is a return to the principle of the original Bretton Woods design; but, the system so established must be a partnership among respectively sovereign nation-states. The U.S. role in this reform will be pivotal; without that role, played as I have just implied, there is no reasonable hope that the world could be saved from a relatively immediate collapse into a prolonged, planetary, new dark age, comparable to, but worse than that of Europe’s 14th Century.

The differences between the IMF as designed at the point of President Franklin Roosevelt’s untimely death, and the indicated return to a semblance of the original, fixed-exchange-rate form of IMF system, require that the state of harmonious

conflict prescribed for the original Bretton Woods institution at its best performance, must be superseded by the application of the model of the 1648 Treaty of Westphalia.

This reference to the Treaty of Westphalia does not mean a configuration of political sentiments. It points to the importance of the needed creation of vast masses of long-term international debt, within a fixed-exchange-rate system, for, chiefly, the vast physical investments in long-term basic economic infrastructure. This capital formation is not to be limited to the public sector’s infrastructure, but the role of public investment in infrastructure must be a leading feature of long-term capital formation in all productive and related sectors. By combining the worthy long-term bonded and related infrastructural and kindred private debt of today, with a vast, fresh generation of new fixed-ex-

change rate, long-term capital in basic economic infrastructure, a successful reorganization of the presently bankrupt system suddenly becomes feasible.

The great and crucial portion of the new capital-formation in basic economic infrastructure, will be as international capital associated with long-term treaty agreements among sovereign nation-states. The term of the bulk of this new capital will span a quarter to a half century, as the case of Europe’s participation in the development of China attests. This gives a powerful new depth of meaning to the principle, of “advantage of the other,” of the 1648 Treaty of Westphalia.

Nations must be perfectly sovereign, but they share a common interest in promoting the advantage of the other. Otherwise, there is no likelihood of any nation’s recovery from the presently onrushing crisis.

Typical is the present emergence of a situation in Eurasia, in which the prosperity of each economy will depend upon the successful long-term capital formation of the other. That is already the long-term trend emerging in political-economic relations between western and central Europe. The pivotal role of Russia between the emerging economies of Asia and the well-being of the states of western and central Europe, typifies the situation.

It can be done, but it could be done only under the pressures of a global crisis as immediately menacing as the situation now. Necessity will be the forceful mother of the needed invention. Nations will swim in the waters of a new economic system, not because of a zeal for swimming, but because they perceive that it is necessary to swim, if one is to survive.

# Franklin Roosevelt's Miracle

by Lyndon H. LaRouche, Jr.

February 12, 2005

At the present brink of the world's greatest monetary-financial crisis, the principal challenge to leading governments of the world at this moment, is to master and apply the lessons to be learned as the remarkable successes of the U.S. President Franklin Roosevelt Administration.

The present world monetary-financial system is no longer owned by a U.S.A. sagging under growing mountains of fiscal and current accounts deficits, but, nonetheless, the accounts measured in U.S. dollar denominations are the crucial bloc of monetary assets in the world system as a whole. A free fall of the U.S. dollar therefore means a hyperbolic curve of chain-reaction collapse of the world's trade and dollar-denominated principal monetary assets. Therefore, no timely measures are presently available, which could withstand the chain-reaction effects of a U.S. dollar collapse.

In turn, no sustainable recovery of the U.S. dollar could occur without a surge of dollar-denominated, *long-term* capital formation, an expansion led by investments in basic economic infrastructure in the public sector. Such measures would be both durable and beneficial to the world's economy only if that and related long-term capital formation is stabilized under a return to a dollar-based fixed-exchange-rate system. Without such a new arrangement, the looming present monetary-financial collapse would become a chain-reaction collapse of the world at large.

The irony is, that the world is as dependent upon the return to fungibility of the world's now collapsing dollar-denominated debt, as it was with the U.S.A.'s immediately post-World War II role as a then creditor nation.

Therefore, the feasibility, and adoption of a turn to a fixed-exchange-rate system akin to the original Bretton Woods system, is indispensable for all nations, at this time. This requires a United States which has returned to the kind of internal and foreign policies associated with the intention of President Franklin Roosevelt's launching of the original Bretton Woods system.

This means the trends in U.S. economic and trade policies associated with the internal U.S. economy under that Bretton Woods design, are now crucial for the family of nations.

Therefore, for these reasons, the first lesson to be learned, is that there were three turning-points in the begin-

ning of World War II which were most crucial in preventing the world as a whole from falling under an Adolf Hitler dictatorship. First, was Winston Churchill's appeal to President Franklin Roosevelt, to prevent the British Empire from becoming the Nazi world empire with which many of the leading rivals of Churchill were intent upon joining. Second and third, were the defeat of the Nazi war-machine at Stalingrad, and the defeat of the Japan navy at Midway. The result of these three developments was a U.S.-led alliance which was capable of that two-front world war, against which the Nazi cause was doomed at that time. These, combined, were the most crucial, 1940-1942 elements of a decisive turning-point in that world war.

The second lesson, is that both the creation and the success of that alliance with Roosevelt, would not have been made possible without a Roosevelt 1932 election which overturned all of the fiscally-conservative, radically free-enterprise policies of the Coolidge and Hoover Administrations.

The third lesson, is that we began to turn away from Roosevelt's strategic and economic policies almost as soon as he was buried, and that, during a period beginning with the installation of the first Harold Wilson government and the wrecking of the Roosevelt-created Bretton Woods system by the Nixon Administration actions of 1971-72, the long wave of post-war recovery in the Americas and western continental Europe was reversed, in ways which led into the immediately onrushing, post-1971 collapse of the world's present monetary-financial system today.

To deal with the historical outcome I have just so summarized, we must consider three lessons. First, the lessons of those Roosevelt Administration's successful reforms which made possible the U.S. recovery and the rebuilding of war-torn Europe, such as the great Social Security reform. Second, those principles of the same American System of political-economy, as defined by Treasury Secretary Alexander Hamilton, which President Abraham Lincoln had revived in establishing what became the powerful U.S. national economy of the 1876 Philadelphia Centennial celebration. Thirdly, last and most crucial for this report for today's occasion, is my own specific contribution to a present understanding of those lessons from U.S. economic history, on which I concentrate here.

On the third point, the hard core of my argument in this





*John Maynard Keynes addresses the Bretton Woods Conference July 4, 1944. Writes LaRouche: “The feasibility, and adoption of a turn to a fixed-exchange-rate system akin to the original Bretton Woods system, is indispensable for all nations, at this time. This requires a United States which has returned to the kind of internal and foreign policies associated with the intention of President Franklin Roosevelt’s launching of the original Bretton Woods system.”*

report, is to take us beyond mere acknowledgment of what were, rightfully, the globally exceptional achievements of the American System of political-economy of Hamilton, Lincoln, and Franklin Roosevelt (among others). It is not sufficient to acknowledge the historically demonstrated superiority of those traditions. It is necessary to know the truth of those principles scientifically. This third point is the pivotal argument on which my attention is focussed here.

### **The Confusion About Economic Ideas**

Despite the presently onrushing breakdown-crisis in the world’s present monetary-financial system, not every U.S. person of influence is as incompetent in economics as the thirty-odd-year downslide of the U.S. into the presently spiralling, post-2000 collapse of the U.S. dollar. might suggest. There are still, even more than thirty years later, many influential persons in today’s society, as we have seen, in the Congress and elsewhere, once again, during recent months, whose competence has been shown on particular issues. These include, notably, a large number of Democratic and some Republican traditionalists who represent a legacy of some notably appropriate ideas about the physical goals of national economic policy-shaping, especially the long-term goals in formation of physical and related capital. Yet, even among such relatively competent people, when the discussion is shifted to national monetary-financial systems, they most often lose the very competence they had shown on practical issues even just a moment earlier, and return to arguing in those same “free trade” terms which had caused the greatest economic catastrophes of the recent three-odd decades.

Frequently, those contradictory features of the economic behavior within that same person, are expressed as a conflict between the practical goals of economic policy-making, on which he, or she may be clear, and largely correct, on the one hand, but, on the other hand, their situation is still, presently dominated, by utterly incompetent attempts to explain the connection between means and ends in the form of academically popular, formal-mathematical terms. In other words, the social goals of economy, as expressed in physical and related terms, have been increasingly in conflict with goals expressed in terms of monetary and related nominal assets.

The typical result of this conflict, is that the conflicted person chooses, tragically, to support, or merely to tolerate today’s prevalent incompetence in national monetary-financial policies, especially when discussion turns to the language of accounting. We often see them seeking to explain physical-economic results as the products of financial and monetary action, rather than accounting for the way in which physical-economic developments determine the way in which financial and monetary behavior and policies must be judged. So, as we see in the case of the capable industrial entrepreneur or farmer, who foolishly supports “free trade” policies, it is the inclination to accept the monetarist’s inherently usurious “free-trade” theories of national-income accounting, which impels the citizen to support the defeat of the purposes and principles of the citizenry’s own, otherwise valid, practical goals for national life. In this way, his belief in what he believes to be “generally accepted, sound classroom theory,” turns out to be the greatest source of his own self-inflicted suffering.

For example, it was not Herbert Hoover who caused the great suffering of 1929-1933; it was the popularity of the dogmas which had prompted misguided Americans to vote, foolishly, for Coolidge’s and Hoover’s elections. That is the way in which a majority among our citizens were seduced, over the course of the post-war decades, into accepting notions of national economic practice which have been based upon an actually superstitious belief in “individual greed” as the driving force in economy.

To illustrate that point here, the most convenient illustration of this mixture of competence and incompetence in the thinking of leading circles of government and management of private enterprises, is the way in which the adolescents of the time of Franklin Roosevelt’s Presidency were gradually, over the time of their post-war adulthoods, weaned from the growing experience of their commitment to the monetary-financial policies which produced the long wave of recovery

and per-capita physical growth of the national economy over the 1933-1964 interval. Under the new regime of President Nixon's term in office, and the radical degeneration of long-range national economic policy-making under Brzezinski's reign as National Security Advisor, the majority of citizens either chose to support, or simply did not oppose, the monetary-physical policies which have produced the collapse of the continually lowered physical-economic conditions of life of the lower eighty percentile of our family households over the entire 1977-2005 interval to date.

That collapse of the physical and cultural conditions of life of the lower eighty percentile, over the 1977-2004 interval, was matched by a degeneration in both basic economic infrastructure, in private productive investment, and in the losses in net real productivity of the physical economy as a whole, losses effected through shutting down U.S. internal productivity, for the pursuit of promotion of not only the lunacy of "free trade," but that mass-suicide of once-great nations known as "globalization."

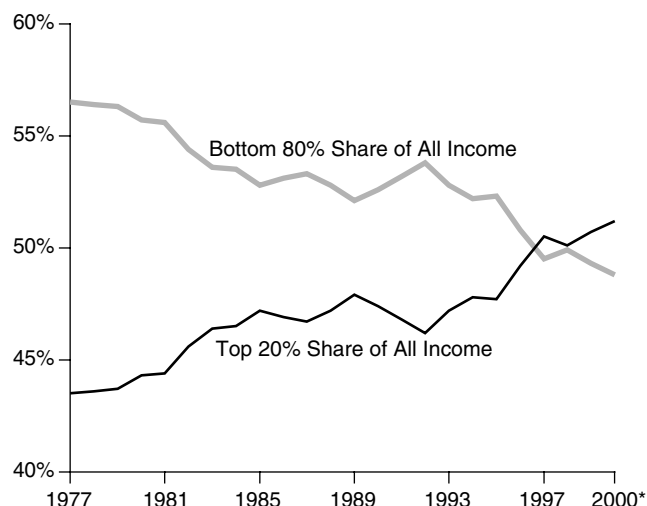
Look at the history of the U.S. economy in physical terms. Measure economic welfare and performance in per-capita and physical, per-household terms, rather than financial terms. Measure wealth, so defined in physical terms, per square kilometer of territory of the U.S.A. Trace the rise in physical incomes under President Roosevelt, against the fifty-percent collapse of the U.S. economy which had just previously occurred in slightly more than three years under President Hoover. Look at the collapse of farms, industries, and so forth, since August 1971; observe this collapse in terms of collapse of agriculture, industry, county by county, over the 1977-2004 interval; compare the collapse of the level of income and quality of employment of the lower eighty percentile of the U.S. labor-force since 1977.

Admittedly, the October 1929 stock-market crash was chiefly the result of policies of the post-war period under Coolidge and Hoover, to that date. But, the fifty-percent collapse of the physical economy of the U.S. under President Hoover, during the years following that crash, was the result of Hoover's policy, just as the recovery was the result of the replacement of the failed policies of Hoover, under Franklin Roosevelt.

Now, as then, in 1933, today's awesome collapse of the U.S. internal economy, combined with leading factors such as the currently out-of-control U.S. fiscal and balance-of-payments deficit, have put the incumbent Bush Administration in a situation comparable to the post-1929 Hoover Administration, but also much, much worse than under Hoover. The increasingly shocking fact, that the current Bush Administration, otherwise known as the government by "the rubber room," is in an historically hopeless situation, creates the potential within the population for a shift like that we might recall from the early days of the Franklin Roosevelt Administration—even though Bush is nominally re-elected as President.

On these matters I can speak with richly proven, great,

FIGURE 1  
**Top 20% of Population Have More Than Half of All After-Tax Income**



\* = projected

Sources: Congressional Budget Office; EIR

exceptional, decades-long, intellectual authority. It is necessary that I invoke this earned authority here, and in similar locations, so that necessary changes are made in the way in which our Democratic Party, and others, think about the shaping of national and world economy.

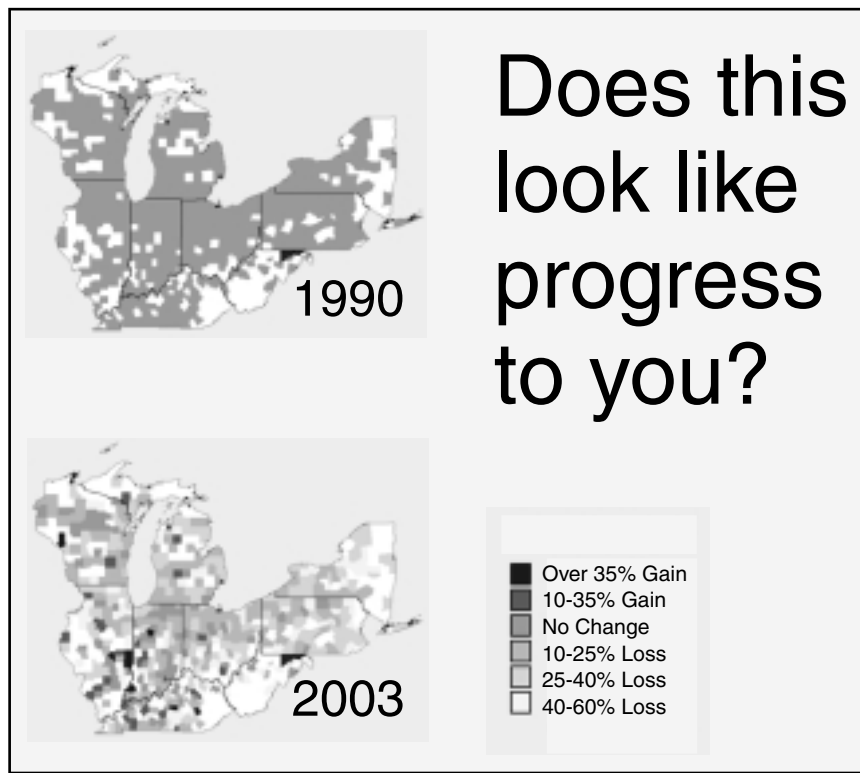
As I had repeatedly forecast, consistently, not only since August 15, 1971, but earlier, those changes, away from the Bretton Woods system introduced by President Franklin Roosevelt, have unleashed a stepwise, long-term process of threatened self-destruction of the U.S. and world economy. I warned then, and later, that without radical changes in economic policy, to undo the lunacy unleashed by the U.S. Nixon Administration's overturn of the Bretton Woods system, the essential threat would be the looming inevitability of not a mere world depression, but both a physical-economic breakdown-crisis of the present world economy as a whole, and a drive to bring the world under the control of fascist systems, as we have seen this, for example, in Chile under dictator Augusto Pinochet.

After a series of qualitative steps of intellectual degeneration of the leaderships, especially the financier circles, of the world economy at large, and despite some contrary impulses in parts of Asia, such as China and India, the world's present monetary-financial system has entered the terminal phase of a general, self-inflicted breakdown-crisis of the world's physical economy as a whole.

The decline did not begin under the reign of the dubious "Dubya." Since late August 1971, I have warned consistently, that if trends of policy changes introduced by the Nixon Ad-

FIGURE 2

**Midwest Counties: Rate of Gain or Loss of Industrial Jobs, 1990-2003**



Source: EIRNS.

ministration were continued as policies in the same direction of successive, systemic changes within the IMF system, the world faced the threat of an ultimate plunge into a fascist world order. It would be, if allowed, an echo of the way in which the hegemonic monetary-financial policies of western Europe had generated the spread of fascism over the 1922-1945 interval. We are now faced with nothing other than a new, far worse, and relatively immediate threat of a fascist world order far worse, far more deadly, than the pattern of 1922-1945.

However, during 2001, things moved suddenly for the worse, probably even the worst. The evidence of President George W. Bush's currently pushing the neo-Nazi doctrines of Chilean dictator Augusto Pinochet in Social Security policies, typifies the current evidence that we in the U.S.A., and elsewhere are already on the brink of tumbling into a fascist world-order as deadly to mankind as we would have faced, but for the combination of the Soviet defeat of Nazi forces at Stalingrad and the U.S. naval victory at Midway.

**Since August 1971**

Look briefly at some of the highlights of the record of our economy's long wave of degeneration which began approximately August 15, 1971.

Therefore, during the Summer-Autumn 1971, I, with my associates of that time, charged most of the leading U.S. university professors of economics with being "quackademics." I premised my charge on three leading facts.

1. First, these professors and their co-thinkers had confidently argued that a breakdown like that launched by George Shultz, Henry Kissinger, et al., through their control over the Nixon Administration, could never occur under the so-called "system of built-in stabilizers." That was the prevalent taught, and frankly lunatic, academic and related doctrine among economists and their duped students, then, as similar foolishness is widely and blindly accepted today.

Hundreds of thousands of influential, academically trained dupes, had accepted the practice of spreading that lunatic dogma as their virtual religious belief through brain-washing at universities and promotion, by Arthur Burns et al., in their places of influence in the nation's economic policies of practice. The only fair technical term to describe the stubbornness of such university professors was, and remains, "Quackademics."

2. Second, they had refused to consider the relevant clear evidence of the moment, evidence which should have prompted any honest academic economist to recognize, and proceed to correct his error: to dump the bankrupt dogmas which they persisted in teaching to the modern dupes of academic Laputas. August 1971 showed, beyond reasonable doubt, that there were no efficient, automatic "built-in stabilizers" in the post-1968 IMF system.

3. Third, in December 1971, when they finally did consent to face me with their adopted champion in public debate on this issue, Professor Abba Lerner, they were roundly beaten by me publicly. However, instead of accepting the lesson I taught them on that occasion, the circles associated with the Congress for Cultural Freedom mobilized a campaign of defamation against me, a campaign of defamation and denial which has persisted in many leading academic and related circles to the present day.

Thirty-four years later, these types of fellows are not likely to admit any of their important major mistakes. Rather, they have acted as if in explicit defiance of what is now my overwhelmingly vindicated assessments. Most significantly, they have done worse than merely defy my conclusively proven case; they have acted as if to enforce their failed policies of the past as the standards for future policy-making

at the present moment. Thus, because of them, we are now confronted not merely with a global depression, but the kind of general, planetary, breakdown form of chain-reaction collapse which leads immediately into a planet-wide new dark age.

They are now, Federal Reserve Chairman Alan Greenspan and all, at the verge of a general economic bankruptcy, which has been caused by their persistent intellectual-moral bankruptcy in policy-shaping.

What Federal Reserve Chairman Alan Greenspan represents today, is the physical effect of a terminal phase of intellectual degeneration, caused by a long wave of measures of degeneration in the U.S. economy and International Monetary System. That was the trend unleashed by the typical influence, already in 1971-1972, of the Nixon Administration's George Shultz. The issue of my argument against the notable Keynesian, Professor Abba Lerner, in a celebrated public debate with me, in December 1971, especially the Brazil policy for which I attacked Lerner on that occasion, is typical of the long-wave trend which has led the United States through the Nixon Administration's launching of the neo-fascist dictator August Pinochet in Chile by "Chicago Boy" Shultz.

My warning, that the policy-trends associated with Nixon Administration figures, such as Shultz, had moved the U.S. and the world into a long-wave trend toward a fascist world order, was already demonstrated in progress in the early 1970s roles of Shultz and Henry A. Kissinger in the South American "Cone."

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## 1. The Birth of the American System

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President Franklin Roosevelt's singular achievement was to have revived what had developed, since 1763-1789, as the "American System of political-economy," as that term is most prominently associated in economic history with names such as Benjamin Franklin, Alexander Hamilton, Frederick List, Henry C. Carey, and the revolution to restore that system which was led by President Abraham Lincoln during the interval 1861-1876.

To understand what "American System of political-economy" actually means, we must consider a few of the most essential features of the way in which that notion of an "American System," distinct from today's liberal parliamentary models, came into being.

### From Solon Through FDR

Since the time of Solon of Athens, the goal of moral persons in European society, has been to establish sovereign nation-state republics whose existence eliminates the distinction between ruling and ruled forms of strata within society. This goal has been premised upon the evidence that the human species is essentially distinct from and superior to all lower

forms of life. This means, for example, the outlawing of forms of societies based upon the assumption that the majority of society is composed of animal-like cattle, as did the Physiocratic dogma of Quesnay and Turgot. It also meant, as the 1648 Treaty of Westphalia specified, a system of sovereign nations united by the principled commitment of each to promoting the advantage of the other.

This view of the precedent of Solon of Athens was a central feature of the crafting of the design on which the existence of our republic was premised.

Through the history of this republican current in European history, this republican impulse has been based upon a certain specific notion of an essential distinction of the human individual from the beasts, a notion not inconsistent with the definition of man and women within the first chapter of *Genesis*. A notion of man with creative powers consistent with man's design as created in the likeness of the Creator. It is this notion of the human individual's creative nature, which supplies the notion of the intrinsic sacredness of the human individual, and those notions of rights and obligations which define the natural qualities of mutual obligations and rights uniting all persons in society.

It was this tradition in the span of European civilization since, for example, Solon of Athens, on which the 1776 U.S. Declaration of Independence premised a struggle for national independence. This was the constitutional principle expressed in the incorporation of Gottfried Leibniz's anti-Locke principle of the "pursuit of happiness" in that constitutional declaration. The Preamble of the U.S. Federal Constitution, which is the supreme principle of law of that Constitution, expresses the same principle associated with Leibniz's "pursuit of happiness."

The American System of political-economy, which is the crucial point of axiomatic distinction underlying the constitutional basis for the axiomatic difference in principle of law between the U.S. republic and the Anglo-Dutch Liberal systems of political economy of Europe still today, is premised on an essential interdependency of a notion of individual creativity, as defined by Plato's principle of hypothesis, and a notion of personal immortality of the human individual.

The development of what became the American System of political-economy, by name, began with the founding of the first expression of modern European society as the modern nation-state, in the Fifteenth-Century European Renaissance. The most notable intellectual markers of that Fifteenth-Century revolution in the form of society are two works by Cardinal Nicholas of Cusa, his *Concordantia Catholica*, which defined the modern sovereign nation-state in principle, and his *De Docta Ignorantia*, a work which launched modern experimental forms of physical science.

The emergence of the American System of political-economy occurred through developments defined by the following most notable markers. The development of the first modern sovereign nation-states occurred, in succession, as France under Louis XI and the English revolution, led by Henry VII

“Richmond,” modelled on Richmond’s experience of Louis XI’s France. Then came a long struggle, led by Venice’s internationally powerful financier oligarchy, to crush the Renaissance and its modern sovereign nation-state out of existence, through a process of religious warfare launched from Spain in 1492 by the Grand Inquisitor’s persecution of the Jews, and continued, under the influence of Venice’s financier oligarchy, as the religious warfare of the period until the 1648 Treaty of Westphalia.

The effect of the Treaty of Westphalia, which echoes Cusa’s *Concordantia Catholica*, was to unleash the rapid emergence of modern economy in the France of Cardinal Mazarin and his associate Jean-Baptiste Colbert. The revolutionary wave of scientific and economic progress which marks modern European civilization since 1648, was based, under the leadership of Colbert, on the specific, leading legacy of such followers of the principles of Cusa’s *De Docta Ignorantia* as Leonardo da Vinci and Johannes Kepler. This scientific and economic renaissance under the sponsorship of Colbert produced effects centered in the accomplishments of Gottfried Leibniz, accomplishments expressed in a central way by Leibniz’s definition of his calculus according to an infinitesimal calculus expressed by a catenary-cued physical principle of universal least action.

The principled influence of Leibniz on the subsequent history of modern physical science and society is marked by the discoveries and related work of Carl Gauss and Gauss’s own great successor Bernard Riemann.

As a result of the defeat of Venice’s power as an imperial form of nation-state, a defeat expressed by the Treaty of Westphalia and the immediate aftermath of the subsequent several decades, the power of the Venetian financier oligarchy found a new cloak and political expression in the rise of Anglo-Dutch Liberalism as what became known, during the Eighteenth Century, as the “Venetian Party,” otherwise known as the political party of the Anglo-Dutch India companies. The ruinous wars into which that Anglo-Dutch India Company faction lured France’s nasty and foolish Louis XIV, set into motion an Eighteenth-Century process through which the Anglo-Dutch Venetian Party acquired global imperial power through the February 1763 Treaty of Paris.

The mid-Eighteenth-Century emergence of American forces associated with Benjamin Franklin, the preceding Winthrop-Mather tradition of the Massachusetts Bay Colony, and the Leibniz tradition, became the “cynosure” of European resistance to the Anglo-Dutch Liberals’ imperial triumph of February 1763. This tradition, whose central expression became the 1776-1789 struggle to establish a viable form of independent U.S. republic, is the basis for that American System of political-economy of Hamilton and his followers to the present day.

## **The Truth About the French Revolution**

Through the launching, under direction of Lord Shelburne’s London, of what became known as the French Revo-

lution of July 1789, the project for establishing a constitutional model of France’s monarchy was drowning in bloody chaos. The rise of Bonaparte to Emperor, established effects, over the 1789-1815 interval, which led to that isolation of the U.S.A. by Europe, through the combined efforts of the otherwise rival Anglo-Dutch Liberal and Habsburg powers of Europe. It was only the triumph of the Lincoln-led U.S.A. over London’s Confederacy puppet, which secured the otherwise constantly imperilled, sovereign existence of the U.S.A.

Shelburne’s imperial London, which had used corrupt powers such as the Physiocrats of France, and Shelburne’s asset Jacques Necker, to drive France’s monarchy into the bankruptcy of 1789, ultimately subordinated the power of Metternich and his Habsburgs over the period into 1848, a development which greatly strengthened the power of the Venetian Party’s Anglo-Dutch Liberal system.

The 1863-1876 emergence of the U.S.A. under Lincoln, as a great agro-industrial power, as what his former sponsor, John Quincy Adams, had intended as one nation, sovereign within southern and northern continental borders, and from ocean to ocean, provoked a spread of the influence of those ideas of the American System. Following the 1876 Philadelphia Centennial Exposition, the ideas of the American System of political-economy spread in such places as Japan, Bismarck’s Germany, Alexander II’s Russia, and elsewhere. The Anglo-Dutch Liberal party’s reaction to the rise of new Eurasian economic powers based on the successes of the American System, was what prompted King Edward VII’s London to organize what his death bequeathed to the world as so-called World War I and, later, World War II. The untimely death of Franklin Roosevelt unleashed powerful Liberal trans-Atlantic forces into their effort to undermine, and ultimately destroy the work of President Franklin Roosevelt.

So, from the February 1763 Treaty of Paris, which established the British East India Company as an imperial power, through the present time, the principal monetary-financial power in the world has been usually concentrated in the hands of the Anglo-Dutch Liberal faction whose typical recent work is the imposition of the ruinous, spreading, so-called “stability pact” upon the nations of continental Europe. The exceptions were periods of exceptional power of the U.S.A., under and following the work of Presidents Abraham Lincoln and Franklin Roosevelt.

## **Since the Death of FDR**

Since the death of FDR, the effort to uproot the American System of political-economy led to the reforms, under National Security Advisors Kissinger and Zbigniew Brzezinski, and by Kissinger associate George Shultz. These reforms, especially those of 1971-72, have led to the self-wrecking of the U.S. as an agro-industrial power. This wrecking was done in favor of what has become the present drive toward eliminating all nation-state power, world-wide, in favor of a Venetian style of financier-controlled, ultramontane imperialism known today as “globalization.”

The crucial strategic issue today, is the need to free the world from the global doom inherent in the system of globalization, through re-establishing the global replacement of the Anglo-Dutch Liberal form of financier imperialism, once again, along the lines of the American System as typified by Franklin Roosevelt's launching of the Bretton Woods system. The point is illustrated for clearer understanding of the problem today, by the fact, that the current Tony Blair government of the United Kingdom is a projection of the Fabian Society's liberal imperialism.

That same liberal imperialism, as a reigning financier power in Europe today, is the source of the great and immediate threat which the presently onrushing economic breakdown-crisis represents not only to the U.S.A., but the world at large. The only presently available alternative to the presently rotten, imperial form of IMF system, is the old IMF system, that older IMF system which must be recognized as a reflection of the experience of the American System of political-economy.

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## 2. Science vs. Mysticism in Economy

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Under the modern Liberal system of global central banking, the value of money itself is determined by the accidents of "free trade." Under that Liberal system, governments are themselves subjects of control by so-called "independent central banking systems," banking systems which, like today's IMF, are treated as the reigning authorities over governments, with governments merely slaves of the mysterious whims of central bankers.

These central bankers are, themselves, a kind of monetary-financial "slime mold," an unwholesome aggregation of numerous individual financier entities, which act in concert to choose, or to submit to the current tyranny of some leading parts of that oligarchical aggregation. The central bankers, so defined, act in the name of the relevant collective financier interest, and use institutions such as the current, post-1972 form of IMF and central banking systems, as the higher authorities imposing their will upon mere governments.

When we consider the nature of such "independent central banking systems" with a clear head, we recognize that they are nothing but a modern extension of the model of that "slime-mold"-like, old financier-oligarchical power of Venice, which ruled, and ultimately ruined the so-called Middle Ages of Europe, the so-called ultramontane system, during the time of the Crusades and Holy Leagues, until the Fourteenth-Century "New Dark Age." Then, we are able to see more clearly, that the Venice-led insurgency against the Fifteenth-Century Renaissance and modern sovereign nation-state, was a revival of that "slime mold"-like phenomenon of usurious Venetian financier-oligarchical power, a "slime mold," such as that associated with the savagely anti-semitic Grand Inquisitor

Tomás de Torquemada, which was determined to uproot a system of modern, perfectly sovereign nation-states based upon the sanctity of the individual person, putting the power of that state above any attempted usurpation by a "slime mold"-like oligarchical financier power.

The Liberal's notion of a "return" to a system of sanctity of personal money, as a higher authority than that of the sovereign nation, is the essence of that modern Anglo-Dutch Liberal system which rules over the nations and peoples of Europe today. That notion is the delusion which has ruined and wrecked the U.S.A., among others, since August 1971. Understanding of this essential feature of the Venetian model of ultramontane financier-oligarchical rule, is key to understanding the monetary theory which dominates the academic textbooks and academic habits of today.

### Enter, the American System

From the standpoint of experimental physical science, since the ancient Pythagoreans, the distinction of man from beast is the power of the human species to increase the standard of living of all members of society, in a way which is not possible for lower forms of life, through the discovery of universal physical principles. These are principles, called "powers," as by Leibniz, which can not be seen directly through sense-perception, but which can be known and proven for practice by a crucial form of experimental methods.

The discovery and use of such powers was implicitly denounced as a Promethean evil, by the tradition of the Olympian Zeus, and, by the modern empiricist. Yet, it has been through the discovery and adoption of such discovered powers, that the potential relative population-density of the human species has been increased from the mere millions of any mere higher ape, to a world population-level of more than six billions today. This conception has been the central feature of all my own work in economics over the recent six decades.

The first goal of the pro-Leibniz American System of political-economy, is the promotion of the discovery and use of discovered powers, such as scientific technology, to increase the standard of living, and the potential relative population-density of the human species. The correlated notion is that the standard of living of the individual person in society must be increased over successive generations, as through investment in the discovery and application of discovery of new fundamental physical principles.

In the American System as described by Hamilton, attention is focussed upon defining the ways in which willful action among individuals can be coordinated in such a way as to promote the role of free-will individual human activities in ways which lead to that desired overall result for present and future generations.

In this system, the creation of lawful money, for this use and purpose, is an exclusive function of the sovereign nation-state. The constitutional state is therefore responsible to regulate the generation and circulation of money by those means



*The American System of political-economy created the greatest industrial power the world had ever seen. Here, a Corliss engine at the 1876 U.S. Centennial Exhibition.*

which ensure the desired result of the combined action of large institutions, including government, and individual free will. This is done by aid of the regulation of the circulation of money, regulation accomplished by means including the use of the power to set tariffs and to tax, or subsidize.

In a modern economy, such as that which the U.S. used to be prior to 1971, about half of the total capital throughput of a healthy national economy, is associated with investment in, and regulation of basic economic infrastructure, and the remainder in private enterprises. In a healthy modern economy, there is a preference for closely held private enterprises, over financier-controlled enterprises, and therefore the independent farmer and technologically progressive entrepreneur is always favored over the large financial enterprise.

The related objectives of government must therefore be the concern to ensure that the increase of the rate of generation and capital accumulation of useful wealth, must be to fulfill certain standards, and improvements of standards in each of all portions of the territory and population of the nation as a whole. The lunacy of de-regulation conducted during the term of National Security Advisor Brzezinski, is typical of the ef-

fects of setting regions of a national territory into economically cannibalistic price-competition, with the resulting collapse of the national U.S. rail and air transport capacity today. Thus, the Federal and other levels of government must not merely regulate, but must tax the system as a whole to ensure the necessary levels of development of basic economic infrastructure, at appropriate prices.

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### 3. The Principle Involved

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All currently popular ideas about economy, whether in the former Soviet Union, or transatlantic convention still today, are based on the same assumption popular in so-called “information theory,” that there is no significant difference in principle between a man and a monkey. In that sense, some must regard the current President of the U.S.A. as an embodiment of proof of that assumption; an electronic simulation of a pet goat might produce a generation of robots among which, like the infamous Hamlin Ratcatcher’s children, none, might be left behind.

In fact, mankind is the only species which is capable of discovering a universal principle of nature. This quality specific to the human individual, expresses the immortal soul of the individual, that which the person passes on, with his or her identity, to the benefit of future generations. It is the human individual’s recognition of that kind of immortality which affords him, or her, the ability to face death with the courage which only such a rational kind of sense of immortality can supply, a quality largely lost among recent generations until the presently ongoing emergence of a new generation of adult youth.

These powers, which all generally taught varieties of economic dogmas deny to exist, are the only actual source of a durable form of net profit of enterprise. It is the process of discovering and developing new physical principles, as aided by the process of Classical artistic modes of organizing inspired cooperation of common intent within society, which distinguishes the man from the beast-man. Once we recognize that the possibility of a true net profit, as measurable in physical terms, occurs only through the kinds of sovereign mental action by individuals which produce fundamental discoveries in technology and Classical forms of culture, then we understand that only thus can a durable flow of profit be generated. The function of the economist is to show government how credit and prices must be organized to foster the kind of net profit consistent with those forms of progress of the economy as an indivisible whole.

In practice, therefore, the principal challenge immediately before the government of the United States today, is to define the necessary scope, components, and characteristics of what we usefully define as basic economic infrastructure, especially the role of government in financing and maintaining the rate of physical net growth, per capita, and per square kilometer, in each and all parts of the economy as a whole.

## SOCIAL SECURITY

# Even Bush's 'Math' Lies; a Jobs Boom Would Perpetuate Surplus

by Paul Gallagher

Why should any intelligent American accept an actuaries' "forecast" about Social Security which is embraced and promoted by President George W. Bush? When Bush received National Intelligence Estimates about *the current situation* in Iraq which displeased him, he called them "just speculation," and "really just guesses." But when he got actuaries' "forecasts" about the income and outgo of Social Security, which stretch out tenuous and very pessimistic assumptions—"guesses"—*a century into the future*, they met the President's policy specifications. Bush decided, "This is the math. Learn the math."

How about this math: From 2001-04, in the reign of Bush's jobless economic policies, the total tax revenue of the Social Security system grew by 5% over three years; usually, it grows by 5-7% *every year*. Between 2002 and 2003, Bush held Social Security's revenue growth to zero. No other President has been able to do that in Social Security's 70-year history. The "President of layoffs" is not believable about the program's future prospects; Social Security taxes are paid by people with jobs and companies with employees. Any long-term forecast embraced by Bush is suspect, especially in light of privatization advocates' takeover of the President's Commission, the Social Security Trustees, and the Social Security Administration.

In fact, we'll show that a long-term "Super-TVA"-type infrastructure reconstruction and recovery program, creating millions of new productive jobs, would perpetuate the Social Security surplus for decades.

The analyses made by both the Social Security Actuaries and the Congressional Budget Office, are based on predicting economic developments over the long term—in slow motion—which, if happening rapidly, would be called by their

proper name, economic collapse. Employment growth stops. Productivity growth and GDP growth fail. Real wages stagnate. A low birth rate and falling immigration bring the growth of the labor force to a crawl. Federal Reserve Chairman Alan Greenspan claimed on Feb. 15 that these were "inexorable demographics"; but in fact, they are the economics of a century-long recession. If Social Security were eventually bankrupted by these economic conditions, the Federal budget, U.S. debt, the housing bubble, and the dollar would all have blown out long before.

As Democrat Harry Reid (Nev.), the Senate Minority leader, began to do at the Feb. 17 Senate Democratic Policy Committee press conference, let us set aside the "authoritative" actuaries' projections of Social Security. Reid said, truly, on that occasion, "There are several projections out there; we're not talking about them. We're comparing the current Social Security law, to President Bush's plan. And we reject that plan." The right-wing libertarians of the Cato Institute and Heritage Foundation reacted angrily, insisting that Reid and the Democrats return to the "authoritative forecasts" that the Social Security Trust Fund will need interest payments from the Treasury by 2018, or 2020, which the right-wingers insist won't be made. But the evidence is that Social Security grows, not on trees, nor Wall Street mutual funds, nor actuaries' forecasts; but on jobs. Let us see to what kind of forecast that evidence leads, and what we have to do to keep Social Security solvent—if we stop President Bush from stealing it.

### Forecasts or Predictions

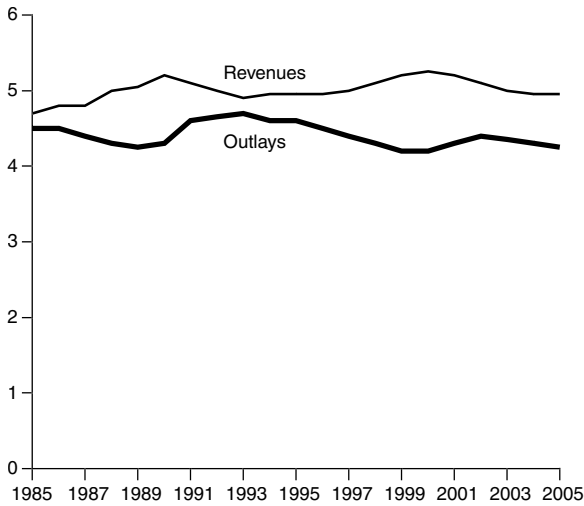
Look at **Figure 1**, the past 20 years' record of Social Security's tax revenues (the upper graph line) and benefit



FIGURE 1

**Social Security Revenues and Outlays as Percent of GDP, 1985-2005**

(Percent)

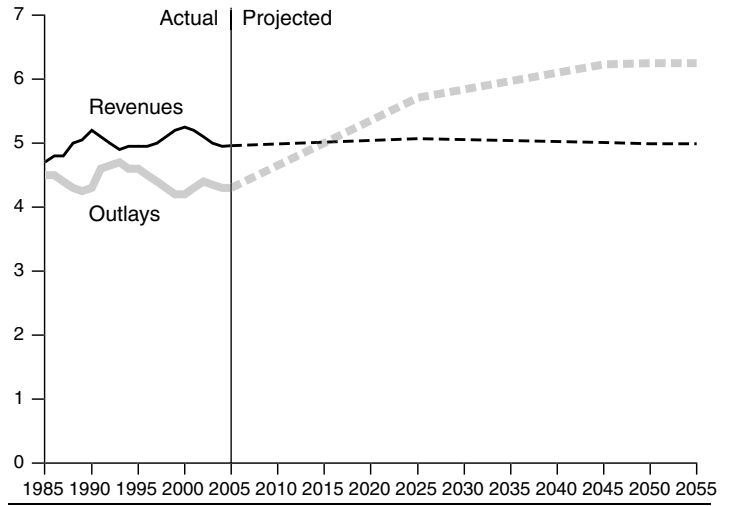


Source: Congressional Budget Office, "Outlook for Social Security, June 2004.

FIGURE 2

**Social Security Revenues and Outlays as Percent of GDP, 1985-2055**

(Percent)



Source: Congressional Budget Office, "Outlook for Social Security, June 2004.

payouts (the lower line), both expressed as percentages of Gross Domestic Product (GDP). This is taken from the Congressional Budget Office's "Outlook for Social Security, June 2004." But this is not the "forecast" part of the chart, which everyone is usually induced to focus on. This is the actual record of Social Security's income and outgo since its current tax structure was set, in the mid-1980s. *Clearly, this lively variation is anything but long-term "predictable."* It reflects economic policies, and their effects.

Leave aside the lower, benefit-payout graph for the moment; it is set by law, and resulted from the varying size of generations retiring, particularly the small size of the cohorts of our population born during the Great Depression of the 1930s.

Focus on Social Security's tax revenues relative to GDP. There are two periods of five years or so, in which employment in the U.S. economy grew by 1.5% annually, or more. (They roughly overlap somewhat more than Presidents Reagan's and Clinton's second terms.) During each of those periods, Social Security tax revenues as a portion of GDP rose, by 3-4 tenths of a percent—a fairly sprightly jump. And there are two shorter periods, in each of which U.S. employment grew by substantially *less* than 1.5% a year (1.2% for 1990-94, and 0.4% from 2000-04). During each of those two periods, the payroll tax as a percent of GDP took an unsightly tumble by about 0.3%.

Over the 15-year period 1985-2000 (i.e., leaving out the jobs bloodbath under Bush "43"), employment and the U.S. labor force grew by an average of just about 1.6% a year, 27.7% over the whole 15 years. And the Social Security pay-

roll tax revenue as a portion of GDP, grew by .55% during that time, from 4.7% to 5.25%.

As of 2005, jobs growth of 1.5% means about 2 million net new jobs a year.

In **Figure 2**, following that 20-year record of variation of both jobs growth and the Social Security surplus, we see a virtually flat and level straight line for 100 years! That is a *prediction*, based simply on a set of assumptions; and supposedly it could only be altered, in Bush's "math," by increasing the tax rate.

But it is not a *forecast*, which must be based on an idea of different economic policies which, if followed, would produce differing hypothetical results.

**An American Marshall Plan**

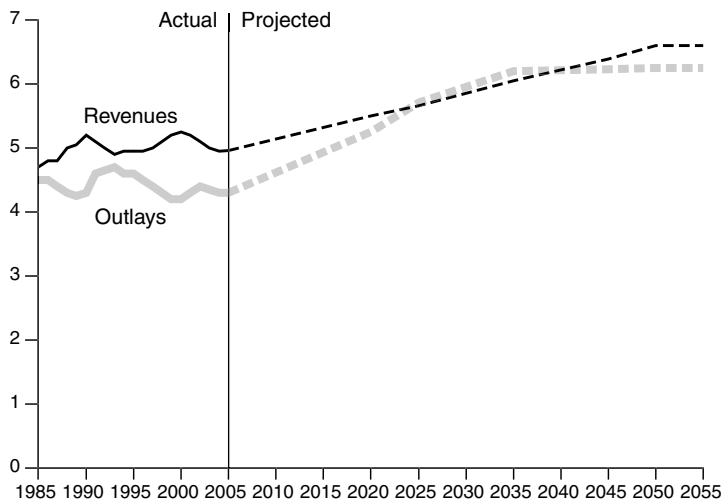
Suppose a bipartisan U.S. leadership, after stopping Bush and Wall Street from stealing Social Security, launches—as a recovery policy from the looming dollar collapse—what Lyndon LaRouche has called an FDR-style "Super-TVA" policy of Federal credits for productive, skilled employment, mainly through high-technology reconstruction of our economic infrastructure. Minority leader Reid has called for "a Marshall Plan for American infrastructure." And suppose such a recovery policy successfully launches an economic growth which keeps productive employment rising at 1.5% a year or better, to the middle of this century? That would mean creating about 2.6 million new jobs a year by 2020, some 3.3 million a year by 2035, and 4 million a year by mid-Century.

If the same relationship of jobs growth, to Social Security revenue growth, which obtained from 1985-2000, were ex-

FIGURE 3

**Forecast of Revenues and Outlays, If New Job Creation Is Always 1.5%/Year or Higher, 2005-2050.**

(Percent of GDP)



Sources: Congressional Budget Office, "Outlook for Social Security, June 2004"; EIR.

tended to the 2050 horizon, **Figure 3** shows what could happen. The hypothesis is: Implement such an "American Marshall Plan," and Social Security doesn't need its surpluses, its special obligation Treasury bonds, to pay benefits. They could, in fact, be used as the reserve basis for some of the large volumes of Federal credits which would drive such a "Super-TVA."

What about Bush's paper-doll cut-outs of "workers" vs. "beneficiaries"—the level of "demographics" his experts think Americans can understand?

The current ratio of contributors to beneficiaries of Social Security, the 3.3-to-1 so much lamented and scorned by Bush, Cheney, et al., has been just about constant for 15 years; and the Social Security system has collected about 130% of what it needs to pay benefits in most of those years. So in fact, a demographic ratio of about 2.5-to-1, employed contributors to beneficiaries, may be the baseline needed—at current average wage levels. (At higher wage levels, the ratio might be lower.) **Figure 4** shows that if the U.S. economy were to keep creating net jobs at 1.5% annually or better, especially productive jobs, that Social Security ratio would stay above 2.5-to-1 to 2050, even through the supposedly death-dealing retirement of the allegedly huge Baby-Boom generation.

Greenspan, Treasury Secretary Snow, the President's Economic Advisors and the actuaries say the "inexorable demographics" make this impossible; it would produce the most drastic labor shortages ever seen.

- They assume that immigration into the United States will fall, by 2025 to 900,000 annually, 100,000 less than the

Census Bureau forecasts at that time, and perhaps 20% less than today's immigration level;

- they assume that the birth rate and fertility rate will remain just below "replacement level," although they have been rising;
- they assume U.S. population growth will fall from the current 1.3% to well below 1% annually, a large drop;
- they assume the growth of the American labor force will almost completely halt during the 20 years the Baby Boomers are supposed to be retiring, from 2011-2030, rising very slowly after that, locking down possible job creation to the level of a century-long, deep economic recession;
- they assume that real national wages won't grow at more than 1.1% a year.

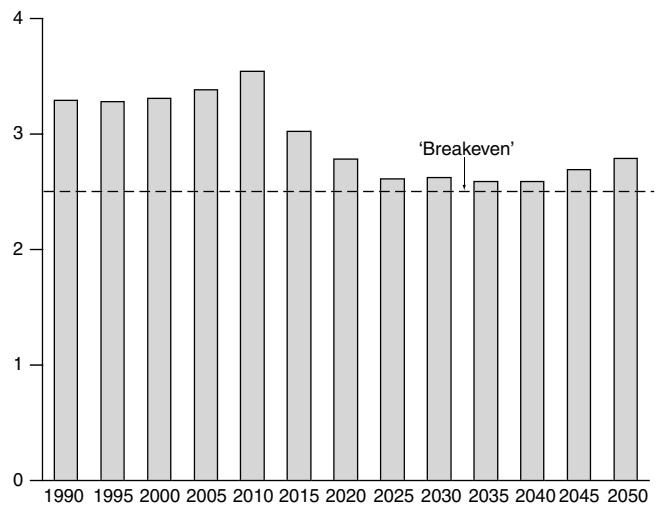
In other words, the actuaries that our illiterate President calls "the math," are following the Malthusian axiom, so long discredited by American history, that demographic pessimism determines the possibility of economic progress, rather than the other way around.

It is likely, that the actuaries also assume that Social Security will continue to tax only about 85% of that total national wage—even though it taxed 90% of it only about 15 years ago. The reason? Greater inequality of income—more rich, more poor—takes a greater portion of the national wage above the level at which the Social Security

FIGURE 4

**Ratio of Contributors to Beneficiaries If New Job Creation Is Always 1.5%/Year or Higher**

(Multiple Ratio)



Sources: U.S. Census Bureau, Population Pyramids; U.S. Bureau of Labor Statistics; EIR.

payroll tax applies.

An “American Marshall Plan” mobilization of productive jobs—infrastructure, industrial, and scientific employment—would raise the wages and salaries that are within the Social Security tax (a manufacturing job pays twice, on average, what a retail job pays, for example). And let us not forget that with that kind of job creation, there are 15 million American workers “sitting on the sidelines” right now—unemployed, dropped out of the labor force, forced to work temp or part-time. If even two-thirds of those Americans were productively employed “FDR-style” in a jobs-creation recovery, they represent five years worth of the needed growth of the labor force to put Social Security further into surplus, on top of the natural labor force growth and immigration.

Finally, the actuaries are assuming an extraordinary further increase in the average American lifespan, which is not occurring now, but would be based on future “medical miracles,” according to Chief Actuary Stephen Goss. This guess certainly increases the forecast Social Security benefits to be paid out. But it would be welcome; a longer life and higher

living standard of the elderly, as Italian government economist Nino Galloni has shown, increases the demand for production, and jobs, among the labor force. And it makes it likely that more elderly Americans will choose to keep working productively past the retirement age.

These actuaries’ forecasts about Social Security have become markedly more pessimistic, for no good reason. The so-called “demographic facts” which are held up today as meaning big future deficits, were well-known and taken into account in 1983. “It’s a less optimistic estimate today,” a former Chief Actuary told the *New York Times* in January.

Well, U.S. economic performance under George W. Bush might be enough to make anyone pessimistic.

So Bush has now become “self-fulfilling prophet” of doom for the Social Security system. Stop Bush’s privatization drive, get rid of him and Dick Cheney, launch a serious recovery program for the physical economy of the United States, and Social Security will be found to have a long life-expectancy and no serious ailments.

## ‘Ready-To-Go’ Projects

In the 1990s, the National Association of Mayors issued periodic reports, titled, “Ready-To-Go,” describing needed state, regional, and local infrastructure projects. In a Feb. 20 speech (see *Feature*), Lyndon LaRouche said that if a concerted mobilization of those projects is done now, with Federal credits, the dollar collapse can be stopped.

Senate Minority Leader Harry Reid (D-Nevada), told the National Press Club on Jan. 31, that America should have a domestic Marshall Plan. “Every city in America has blueprints stacked up, waiting to have the money to do something about sewer systems, water systems, bridges, dams, highways. . . . And if we spent \$10 billion on the infrastructure of this country, we would create half a million new jobs. These are high-paying jobs, and the spinoff from these jobs would be significant.” Reid pointed out that economic infrastructure investment had sunk since 9/11.

*Reid spoke on the issue at the Tahoe Forum, at Sierra Nevada College, Aug. 18, 2001.*

America’s infrastructure affects our economy, our public health, our environment and our overall quality of life. It needs our immediate attention. Yet it is neglected because repair and construction costs accrue in the short-term while the benefits are long-term. . . . It is time to make some necessary and unavoidable decisions. Time

is not on our side. . . .

More than a third of American roads are in poor or mediocre condition, costing drivers an estimated \$5.8 billion in repairs every year. More importantly, the poor state of our roads contributes to as many as 13,800 highway fatalities each year. To keep them safe, the U.S. Department of Transportation estimates we need to spend an additional \$50 billion more on our highways annually. Twenty-nine percent of our nation’s bridges are structurally deficient or functionally obsolete. School buses must stop at many [bridges] and unload the children, and then reload on the other side.

Our airport capacity has increased 1% in the last decade, while air traffic has increased 37% in that time.

The nation’s 5,400 drinking water systems face an annual shortfall of \$11 billion. . . . The Environmental Protection Agency has estimated that nearly \$300 billion will be needed over the next 15 years to upgrade and expand our existing infrastructure to ensure the safety and purity of our water supply. America’s 16,000 sewer systems face an additional \$12 billion annual shortfall. Many are more than 100 years old.

And maybe worst of all, due to aging or outdated facilities, or overcrowding, 75% of our nation’s school buildings are inadequate.

America needs to embark on a modern day Marshall Plan—to rebuild our cities and our towns—creating a surge in economic vitality that will allow America, the greatest nation in the history of our world, to continue on its highway of wisdom, freedom and responsibility.



# Pension Privatization Plunged Chile Into 'Pre-Industrial' Age

*Mrs. Isabel Márquez Lizana is the Director of Research for the Chilean government's Institute for Social Security Normalization, a researcher at the Department of Social Sciences at the University of Chile, and is affiliated with the Development Studies Program at the same university. On Feb. 19, EIR's Cynthia Rush spoke with her about her thesis, "Impact of the 1981 Social Security Reform on Enrollee Benefits," written for her Masters degree at the University of Chile. This work, published in 2004, was the first study of its kind to carefully analyze the negative impact of Chile's 1981 social security privatization on the population, including specific case studies and future projections. The United Nations Development Program cited her work in its 2004 report, Power: For What and For Whom, in its Chapter 5, "Social Protection and Power in Chile."*

**EIR:** One thing that really interested me in your thesis was your discussion of Chilean history and the tradition that has existed historically of protection for workers, in the areas of social security, health, and preventive medicine. Chile appears to have been a pioneer in that sense. Can you tell us something about this?

**Márquez:** As I indicated in my study, Chile, like other Latin American countries, was a pioneer in the area of social security, and by 1925 the first institutions had already been created providing protection and the social security system which existed up until the [1981 privatization] reforms. Chile's system was considered to be one of the best in Latin America . . . providing coverage to more than 70% of the population, which is significant.

Coverage in Latin America was also among the best. And isn't it interesting that the reasons cited to justify the [1981] reform are exactly the same ones referenced today in the United States? Twenty-four years have gone by, yet in other countries, under other circumstances, in a different reality, the exact same reasons are given.

**EIR:** Chile's system actually began quite early, didn't it, in 1920?

**Márquez:** Yes, quite early, and as I said, we were a pioneer in the world, if you will, because we were—and we continue

to be—a Third World country with all that that implies, in terms of lack of industrialization. Yet even so, we could do this because of the great influence of our social movements.

**EIR:** And as far as other Latin American countries go, they adopted their systems a bit later?

**Márquez:** Yes, but it wasn't too much later . . . and Chile served as an example of what countries needed in terms of social security.

And, we shouldn't forget that here in Chile, as a result of our mining in the north (and I'm not just talking about copper mining but also about nitrate exploitation), there was a huge mass of workers who were very poor and defenseless. But the worker movements in Chile and in Latin America, especially in Chile, were very large and had a lot of influence in the development of social security.

**EIR:** So, let's go into what happened then, after the 1973 coup. The economics team set up by the University of Chicago came in—

**Márquez:** When the military dictatorship took over in Chile in 1973, for the first time in the history of Chile, since the 1920s, social expenditures were cut, which I think is somewhat like what is being proposed now in the United States.

**EIR:** Exactly.

**Márquez:** They cut the budget and this occurred in Chile *for the first time* in 1973.

**EIR:** By how much was it cut?

**Márquez:** I don't have the exact figures, but I can tell you that the first big cut was 12%.

**EIR:** Dramatic!

**Márquez:** And this policy brought about a profound economic transformation—the neoliberal model which imposed economic and social reforms. And social security and education, which for reasons of social protection had always been in the hands of the state, began to be handled by private administrators. . . . That is, they didn't want to protect the population

in social terms. Everything was exclusively financial. Their purpose was to create privileged conditions for the formation and accumulation of capital, and looking at the situation in the United States today, I think it's exactly the same thing.

**EIR:** I think that in your study you correctly describe this entire process as a “paradigm shift,” with the economic program known as “*El Ladrillo*” [The Brick], written by the University of Chicago's Sergio de Castro and José Piñera, which was imposed after the 1973 coup, and Piñera was in fact operating as an advisor to the government even before he became Labor Minister in 1978, right?

**Márquez:** Yes, in fact even before 1973. That is, he was advising the economic groups that were preparing these reforms.

**EIR:** The argument he used in privatizing the social security system in 1981 was that it would “guarantee the country's economic development and put an end to poverty.” But just the opposite happened, and the impact especially on the labor force was dramatic. What happened with unemployment and people's ability to get jobs?

**Márquez:** I don't have the exact figures at hand, but during the military government, unemployment got as high as 20%—I'm talking now about the crisis of 1980. . . . I was an observer of this situation because I worked in an institute which hired people . . . from [government-created] unemployment programs. . . . Piñera had a very demagogical line. He said we're going to favor the great masses of people who've been deceived by the old system—exploited and deceived. But you see what the results are today.

We're talking about 24 years later, and what do we see? First, there is no full employment. Unemployment persists, and from my standpoint, this is a structural problem here in Chile. And you can have all the [unemployment] programs you want, but if we continue with this development model, unemployment will continue to exist. And that's lawful. Why? Because they maximize competitiveness, at whose expense? They're not sacrificing corporate profits. It's done at the expense of workers.

**EIR:** Piñera said he was going to do away with the “patrimonial state,” and that each person could become an “owner” and a “capitalist.”

**Márquez:** Yes, that anti-statist culture is very strongly rooted in the people who were in power, and they said it was necessary to eliminate the state to instill in people a sense of “individual responsibility.” So with that paradigm—that model—we are returning to an era of social *insecurity*, to a *pre-industrial era*.

When we speak about the notion of risk, for them it was a notion of culpability, of blame. But when all those protections were implemented that were part of the Keynesian state,

then it was said that it wasn't your fault if you had an accident. You weren't to blame for not foreseeing that situation. . . . So the notion of *socialization of risk* is what came into being. And this is a problem that affects social cohesion, so there has to be some kind of institutionality *from the state* which can foresee these types of situations.

**EIR:** There was something you mentioned the other day which struck me, which was the change in people's mentality, in the way they thought as a result of these reforms, in terms of the idea of solidarity. What was this?

**Márquez:** This is something that has to be looked at very carefully, also from the standpoint of social psychology, because society's paradigm was changed. When earlier generations thought about what they had to do, it was almost automatic, almost biological, that you knew you had to have solidarity with the older generation—with the sick, the disabled, and this was something that was very deeply rooted in the Chilean population. Today, after having had a dictatorship that lasted 17 years, and in which [that dictatorship's] development paradigm has not changed, what dominates is individuality. It was the social paradigm that changed.

Yet despite this, I saw in the interviews that I did for my study that people still have in their collective imagination the notion that the state must protect them, and this is something that is still really very strong.

**EIR:** Especially in the interviews that you did with workers, many of them remarked, “How can we think about a pension or making some kind of monthly payment when we don't even have enough to eat?”

**Márquez:** That was the issue with some fishermen I interviewed, not included in my study, who said, “Look, we live from day to day. What are we going to put in a savings account?”

Moreover, there is huge distrust of the private system—the AFP system here in Chile [Pension Fund Administrators, AFPs, is the name given to Chile's private pension funds—ed.]. And people say, “If I could pay into system, maybe I'd make the effort. But I won't. Why? Because I think that people are getting rich off my funds and I'm getting almost nothing.” So nobody trusts the system here in Chile. And that's no accident, because we see the results.

**EIR:** And it's pretty fraudulent that the directors of the AFPs and other officials say, people really prefer to work “independently” or to have their own “businesses.”

**Márquez:** Yes, and of course faced with the impossibility of finding a job, people often opt for some kind of subsistence existence. They set up a little business or become street vendors and in fact, sometimes they earn more than they might earn if they worked on the books. But this is an absolutely precarious income, and if you ask people, the great majority

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*Let me tell you that if today in Chile, the doors to the old [state-run] system were to be opened, I am certain that 90% of the people would go back. So that tells me something. The private pensions aren't better. People are left defenseless. Their pensions last for only two or three years and they are left completely unprotected in a totally individualized society.*

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would prefer stable employment.

**EIR:** One other striking thing is the phrase that Piñera uses in speaking of the AFP system, stating that it would have a “solidarity at the base”—that there wouldn’t be any generational solidarity but a “solidarity at the base.” What does he mean by that?

**Márquez:** Well, I wasn’t exactly sure what he meant by that either, but I finally concluded that what he was saying is that ultimately, the state is the last recourse of society, and that solidarity would come from the state. So in fact, he’s saying that the primary expression of the social security system is the minimum old-age, disability, or death pension guaranteed by the state, and that this benefit is available to all those who have worked the minimum of 20 years, but who have accumulated [in their private accounts] such a small and miserable amount of capital that they only have the right to collect a pension which is *below* the minimum.

Now Piñera mentioned this situation in an analysis he did in 1991, and he said that this situation would be the exception. That is, that there wouldn’t be very many people who would have to resort to the state-guaranteed pension. But today, all the studies and analyses show that more than 50% of the AFP enrollees will have to ask for that state pension. Moreover, many won’t even qualify for it! In my study, I show that more than 80% won’t even have been able to make the 240 monthly payments required [over 20 years]. That is, they will be left completely defenseless. I’m telling you that if this situation isn’t resolved in Chile, we’re going to be a country of miserable old people.

**EIR:** So really the final responsibility has fallen on the state to cover those who can’t pay into the private system. And do those who don’t receive the minimum state-guaranteed pension have the possibility of obtaining the basic welfare pension?

**Márquez:** Yes, but here the welfare pension operates differently than in the more advanced countries. Here, people have to live in *extreme poverty* to obtain the welfare grant, which is 36,000 pesos, the equivalent of \$140 monthly. And if you have a water heater in your house, so that you can bathe with hot water, then you don’t qualify for the welfare pension.

**EIR:** So you have to prove you are destitute.

**Márquez:** Yes, that you are indigent, that you live on practically nothing. So, this isn’t an option for the great masses of people, who, despite the fact that they can’t qualify for a state pension, still don’t live in absolute misery. This is a reality of the level of technological development, that just about anybody has a television at home.

**EIR:** Well, these programs are now being imposed on other countries. A similar program is being promoted in Germany, in which people lose their state benefits or guarantees, and then are offered some miserable amount, but only if they get rid of everything—their possessions, bank accounts, furniture, etc.

**Márquez:** Perhaps the American situation is different in terms of living standards. But if you have a system offered from the institutionality of the state, there is an underlying principle that says that the risk of poverty due to old age or illness isn’t an individual risk, but a *collective* risk. . . .

**EIR:** I think your remark that we’re entering a pre-industrial era is absolutely correct.

**Márquez:** And imagine that the debate in Chile is just now starting on what the role of the state should be, regarding the impoverishment of the population! This is what was being discussed in the pre-industrial era! And today, we’re asking the same thing!

**EIR:** Despite the fact that Chile had this very strong tradition during the 1920s and 1930s.

**Márquez:** Yes, despite the fact that this system [of protection] existed for education, health, and in all areas. Today, the Chilean government is just now beginning the debate on social security. Two years ago, this subject was taboo. This was the crisis no one was supposed to talk about. You couldn’t mention it. In fact, there was a person in the government who did a really good study that was reported on in a newspaper, and the newspapers were confiscated. The study said exactly what my thesis said: that 50% of the population has no right to the minimum pension.

**EIR:** So this is still a very touchy subject.

**Márquez:** Yes, it's a debate that's still in diapers. The debate is just beginning.

**EIR:** And this, despite the fact that because of the utter failure of the private system, the state has to pay out a very high percentage of its budget to cover these unfunded liabilities.

**Márquez:** Yes, 7% of its Gross Domestic Product.

**EIR:** And the pay-as-you-go system still exists for some people.

**Márquez:** Yes, for a small number—164,000—outside of the Armed Forces. Unfortunately, there aren't many statistics.

I think that transferring the analysis a bit to the U.S., however, the Democrats are the ones who are fighting to stop this reform, and they have to appeal to their principles. They need to look at what it means to have social cohesion, because it's important not to have a fragmented society. We need social protection based on an institutionality from the state. . . .

And many Latin American governments who wanted to copy the Chilean reform haven't been able to, because of the opposition from their populations; in Venezuela and in Mexico itself, there is a tremendous battle.

I think that without a military government of the type we had, people have the opportunity to get a different view of things and not let themselves be deceived. I think that's an advantage of American society. There is the possibility of not just having that one view, for reasons that even the *New York Times* covered, by looking at the Chilean situation, and saying let's not just go with Piñera's speeches, but look at what other people are saying.

**EIR:** Since you've lived in Chile throughout this whole period since 1973, what advice would you give to U.S. Congressmen and Senators who are debating this now, and also to citizens of this country?

**Márquez:** In terms of American Congressmen, I would appeal to their sense of social solidarity. If they are really thinking of helping the population, they had better look at this question of Social Security reform very carefully. And it's possible that you could implement a [private] system as a complementary program, but *never* the way it was done in Chile, by eliminating the other system entirely.

Let me tell you that if today in Chile, the doors to the old system were to be opened, I am certain that 90% of the people would go back. So that tells me something. The private pensions aren't better. People are left defenseless. Their pensions last for only two or three years, and they are left completely unprotected in a totally individualized society.

**EIR:** And also, here in the United States. The system isn't broken. The statistics and predictions put out are fraudulent. It works fine, and with a different economic policy that allows

for real economic development and employment, you don't need to change anything.

**Márquez:** No, you wouldn't have to change it. Citizens have to have their eyes very wide open on this and not let themselves be fooled. When there is something that is going to affect our lives and our future, then we must fight . . . and I'm willing to help in whatever way I can on this.

**EIR:** Is there anything else you'd like to say to our readers?

**Márquez:** Well, I think that you have the advantage of looking at how our system works here. It's an advantage because, if it's failed here after everything they've invested in it—and they didn't pay attention to the issue of costs either. The transition costs have been incredibly high. And with all this, it's still a failure. Coverage didn't increase. If you look at all the assumptions of this system, they said there would be total coverage. But the assumptions didn't work. They said that once that employers no longer had to pay their part (before the system was a tripartite one, in which the government, the employer, and the employee paid; but in the private system only the employee paid), they would be so happy that they would go out and hire a lot of people. That didn't happen. They said that people would be able to accumulate enough capital to get better pensions. That didn't happen. The capital was going to be invested in social development, but that has hardly happened. And, they all said, there would be full employment; but that didn't happen either. So *all* the assumptions of today's system *are a failure*, a fraud. Nothing happened, none of the promises were kept.

If I had Mr. Piñera in front of me, I would ask him, what do you have to say about your promises? What happened to them? What about all these siren songs?

**EIR:** I think it's interesting that since the fight began here, Mr. Piñera hasn't shown his face in public and hasn't said one word. He wouldn't even be interviewed by the *New York Times*, since we began organizing and exposing Bush's Chilean model.

**Márquez:** It's simple. What was promised by this system and what really happened? We arrive at the conclusion that *none* of these promises were kept. That means the system isn't working. It was conceived on the basis of assumptions that don't work.

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# Eurasian Core Nations Cooperate To Meet Growing Energy Needs

by Mary Burdman

The core Eurasian nations, Russia, China, India, and Iran, have been rapidly expanding their cooperation on ensuring vital energy supplies. India, Iran, and Russia are already in advanced discussion of oil and gas development and supply deals; India and China are now proposing mutual cooperation rather than competition for energy supplies. Both nations are rapidly increasing their energy consumption: after the United States, China is now the world's second-largest oil consumer, followed by Russia and then India. Chinese oil imports rose by about one-third in 2004, and India's by 11%.

Indian Natural Gas and Petroleum Minister Mani Shankar Aiyar was especially active in February. India now has to import some 70% of its petroleum supplies, and rising prices, and the chaotic situation in parts of Southwest Asia, put India's economy and 1 billion population at risk. At a Houston teleconference to promote prospective Indian oil-fields on Feb. 1, Aiyar said, after discussions with officials of China's National Petroleum Company (CNPC), that India wants to set up a mechanism for cooperation with China on oil projects.

India and Iran have been discussing building a pipeline, through Pakistan, for some time. Political tensions between Pakistan and India have held up any progress on the project; but in January, India and Iran signed an agreement for Iran to sell 7.5 million tons of liquid natural gas (LNG) to India annually, for 25 years. India will also participate in developing Iranian oil fields.

Whether these negotiations will result in a more permanent agreement to solve the "crisis" in oil and other strategic raw materials supplies, remains to be seen. Lyndon LaRouche, in his Dec. 19, 2004 report, the "Earth's Next Fifty Years"; and his statements to the *EIR*-sponsored conference in Berlin Jan. 12-13; urged creation of a long-term agreement among sovereign nations, for the international management of raw materials supplies and prices, in the best interests of those nations and their populations. These vital resources *must* be taken out of the control of the private cartels which are using "raw-materials as loot," which is "the leading feature of the world's monetary-financial oligarchy's zeal today," LaRouche warned. This "must be checked by a concerted regulation of this matter among sovereign nation-states."

In leading circles in Moscow, the importance to China and India of secure energy supplies for the future, is certainly understood—as well as the power this gives to Russia in Eurasia. At the same time, Russia certainly needs both economic and security cooperation with China and India. The perspective being put forward by Petroleum Minister Aiyar has real potential, if the nations involved are willing to grasp the nettle of dealing with the raw materials cartels, and the reality of the bankrupt world financial system.

## Joint Strategies

On Feb. 2, Aiyar said that India wants a joint strategy with China to bid for foreign oil projects, and avoid costly competition. The two nations can cooperate and set up joint ventures rather than competing, he said. Aiyar has set up a task force to identify areas where the two countries can cooperate in oil and gas projects, to be headed by Additional Secretary Talmiz Ahmed. "We are always pitted against each other to the advantage, almost always, of the third country," Aiyar said. "Perhaps we could set up some form of a mechanism of mutual consultation regarding third-country properties; and thereafter, in some cases bid against each other, in some cases bid together."

This idea was apparently first discussed at the Jan. 6 Round Table of Asian oil consumers and producers held in New Delhi, and initiated by China's National Development and Reform Commission Vice-Chairman Zhang Xiaoqiang, according to Indian press reports. "We are mooting an arrangement for cooperation and better exchange of information in order to develop a common approach for these scarce assets," the *Hindustan Times* quoted Petroleum Secretary S.C. Tripathi.

Aiyar, at the invitation of the Chinese Energy Ministry, is planning a "major visit" to China later this year, to develop a joint strategy on petroleum development. China and India have been bidding against each other in Sudan, Angola, Myanmar, and other areas. Potentially, they could cooperate on investments inside Russia.

Also on Feb. 2, Russian Finance Minister Alexei Kudrin announced from Moscow that a group of Chinese banks advanced a payment of \$6 billion via Russia's Vnesheconombank, to the Russian oil firm Rosneft, in order to finance



the purchase of 50 million tons of Russian oil over the next five years. The Chinese oil purchase is timely for Rosneft, coming when that entity is involved in the purchase of Yuganskneftegaz, a core production unit of the Yukos oil company, which was put up for auction in December. Rosneft paid \$9.4 billion to acquire Yuganskneftegaz, after it purchased Baikalfinansgroup, a new company that unexpectedly won the bid for Yuganskneftegaz. Yuganskneftegaz produces 60% of Yukos' output.

Both sides were emphatic, however, that the Chinese funds were not involved in the controversial purchase of Yuganskneftegaz. Rosneft announced that the \$6 billion was not connected with its purchase, and the Chinese side stressed that these funds were not loans. This was to ensure that there would be no involvement in the controversy over the steps taken by the government of Russian President Putin to put Yukos under control of oil companies loyal to Moscow, at the end of 2003. Some U.S. courts have decided that they have the power to contest this matter, although this power is certainly not recognized in Russia.

### North-South Energy Corridor

Three weeks later, Petroleum Minister Aiyar went to Kazakhstan and Russia, to discuss developing relations in the oil and gas sectors. From New Delhi, Petroleum Secretary Tripathi laid out India's Central Asian oil strategy. "Kazakhstan is an important country from the hydrocarbon resources point of view," Tripathi said. "But the problem is, how do we access these? We can access oil from the Russian and Caspian region by bringing it to Iranian ports, while China provides a ready market for downstream products and petrochemicals," *The Financial Express* quoted him on Feb. 19.

In Astana, Kazakhstan on Feb. 18-19 for the meeting of the Kazak-Indian intergovernmental commission, Aiyar called oil and gas cooperation "the most significant area" for strengthening joint economic relations" between India and Kazakhstan. India is seeking stakes in four Kazakstan oilfields; and GAIL, the Indian gas transporter that was formerly the Gas Authority of India, reportedly wants to participate in building pipelines from Kazakhstan to China. It has proposed setting up gas processing and petrochemical plants at Atyrau and Akhtau. Earlier in February, GAIL formed a joint venture with China Gas Holdings Ltd, to invest in natural gas projects in China, including urban gas networks and long-distance pipelines. China wants to promote use of gas to reduce its reliance on coal.

India and Kazakstan discussed expanding the North-South Transport Corridor project, to "ensure the free movement of goods, including oil and gas, from the shores of Finland to the states of the Pacific region," Kazak television reported from Almaty on Feb. 18. Aiyar made the point, that the North-South Corridor—a project to expand transport infrastructure from northeastern Russia to the Caspian Sea, to

Iran and India—should also be seen as an energy corridor, with oil and gas pipelines that link up with the pipelines in South Asia and bring energy resources to India, and then move on to Southeast Asia. The energy and transport Corridor will bind Asia with Europe in a substantial, mutually beneficial connection, Aiyar said. "India will be an active partner in this ambitious endeavor. Together, we must exert every effort to bring investments into the project from the European Union and ASEAN, in addition, of course, to interesting our partners, Iran and the Russian Federation, to make their vital contribution to the development of Aktau as a major entrepôt centre on the North-South corridor."

### Partners with Russia

By Feb. 21, Aiyar was in Russia for his second visit in four months. He likened Russian support for India's energy security, to the former Soviet Union's political and military commitment to India, and confirmed that India is ready to invest billions of dollars worth in Russian energy projects, *Novosti* reported Feb. 22. "Our single most important strategic ally in the energy sector is Russia, because their supply position is as strong as our demand position. Russia's strength is its energy supply and our strength is our energy demand—we are obvious partners," Aiyar said in Moscow.

The Indian minister met with Russian Vice Premier Alexander Zhukov, who greeted India as "a strategic partner, particularly in energy cooperation." Aiyar also met with Rosneft head Sergei Bogdanchikov, Gazprom head Alexei Miller, and Russian Industry and Energy Minister Viktor Khristenko. Aiyar told Khristenko about the January Asian oil Round Table, and proposed a similar meeting of oil suppliers Russia, Kazakhstan, Turkmenistan, and Azerbaijan, with oil buyers India, China, Japan, and South Korea.

India wants Russian investment in Indian energy projects, and is itself possibly interested in buying a stake in Yuganskneftegaz. Aiyar had put out an official statement in January on the proposal, and told the press on Feb. 22 that the matter had been discussed in Moscow. He was cautious about the legal issues, however.

India's Oil and Natural Gas Corporation (ONGC), its largest oil exploration enterprise, already has a stake in Russia's Sakhalin-1 project, and is interested in more. ONGC Videsh, its external division, signed a memorandum of understanding with Russia's Gazprom, for the two sides to assess possible joint participation in oil and gas projects in Russia, India, and third countries, and in transporting and selling oil and gas in India and third countries. Gazprom already has a "strategic alliance" with GAIL, but that has been concentrated on energy resources inside Russia.

The ground is being laid for cooperation on vital raw materials; now, nations must take up the fundamental issue, of putting together a world financial system which can ensure the long-term investment to make these agreements work.

# Italy's Tremonti Hits 'Suicidal' Free Market Policies in EU

by Andrew Spannaus

Giulio Tremonti, the former Italian Economics Minister known for his proposals in favor of large-scale European infrastructure projects, is taking a prominent role in denouncing the “dogma of the free market” that is being imposed throughout Europe. At a Feb. 21 conference in Milan, Tremonti slammed the European Union's policies against state intervention into the economy as “suicidal,” while calling for protecting industry and creating new credit mechanisms to finance the productive economy.

That Tremonti has not backed down from his pro-protectionist stance, and is now launching a new public offensive in this direction in Italy, is an important factor in the current political fight in Europe. The three largest countries in the EU—Germany, France, and Italy—have all come out strongly for reforming the strict monetarist criteria of the EU's Stability Pact, yet no one seems willing to actually identify the root of the problem: the free-market ideology which is so deftly used by the international financial oligarchy to manipulate countries into handing their sovereignty over to the financial markets, and those who wield power through them. In this context, Tremonti's proposals are a step forward, compared to the defensive-minded opposition which has dominated the discussion so far.

However, in order to be effective in such a high-stakes battle, any such campaign must necessarily abandon the method of being merely “practical,” and take on the fundamental changes which have been responsible for the accelerating slide into post-industrial decay, and bankruptcy, in Europe and the United States.

## The Tremonti Plan

As Economics Minister in the Berlusconi government, Tremonti was responsible for Italy's “European Action Plan for Growth” proposal in 2003. The proposal, which soon came to be known as the “Tremonti Plan,” centered on reviving and expanding the large-scale infrastructure projects throughout Europe that had originally been proposed under the “Delors Plan” at the beginning of the 1990s, but eventually crushed under the weight of the anti-investment policies of the Maastricht Treaty that have come to define the EU throughout the past decade.

Most of the original projects were concentrated on transport infrastructure, but the proposal was then expanded to include numerous research and development projects, in particular with the collaboration of German Chancellor Gerhard Schröder.

The key aspect of the Tremonti Plan centered around the source of credit for the projects. Under the rules of the Stability Pact, single nations are—for all practical purposes—prohibited from even thinking of paying for such large-scale investments, and thus find themselves making grand plans, and then hoping that private capital will come along to finance them.

The Italian government suggested that the initial capital for the projects be provided by the European Investment Bank (EIB), to the tune of 50 billion euros per year. This represented a very significant increase in the Bank's funding, and would have effectively transformed it into a vehicle for large-scale development, the likes of which Europe hasn't seen for some time.

Those who follow *EIR* and the activity of the LaRouche movement, will immediately recognize the affinity between the Tremonti Plan and LaRouche's New Bretton Woods and Eurasian Land-Bridge proposals. In fact, these plans are the necessary reference point for all proposals for large-scale infrastructure development under discussion today; and the question of credit creation to finance such projects, has been the subject of numerous LaRouche movement initiatives and publications over recent years.

In Italy, LaRouche's New Bretton Woods proposal for a reorganization of the international financial system has been discussed in the Parliament, leading to a unanimous vote in the Chamber of Deputies in September 2002 for an initiative in favor of a “new financial system . . . to combat financial speculation.” Furthermore, Tremonti has repeatedly called for an FDR-style “New Deal,” thus citing a centerpiece of LaRouche's campaign for a shift in economic policy.

Despite the support the Tremonti Plan garnered from key European nations—notably Germany and France—the financial forces behind the EU bureaucracy succeeded in sinking the plan before it could ever be launched on a significant scale. In fact, when the projects were finally “approved,” Romano Prodi, then president of the European Commission, announced that the yearly EIB financing for the projects would be on the order of 5 billion euros per year; a mere 10% of the original proposal!

By the middle of the following year, the anti-dirigist forces in Italy and throughout Europe had succeeded in isolating Tremonti, and at that point Berlusconi did their bidding, showing Tremonti the door at the beginning of July 2004. Before he left, though, Tremonti had launched the beginnings of a battle with the European central banking system, by criticizing the Bank of Italy's lack of oversight relative to the Parmalat financial disaster, and then questioning the Bank's role in market regulation and credit creation.

## Battle Within the Italian Government

Just a few months after his ouster, Tremonti was brought back into Berlusconi's party, Forza Italia, at the highest level. He is now vice president of the party—in theory, second only to Berlusconi—and thus has the ability to throw his weight around in the political debate. Over the past few months, he has been participating in numerous television talk-shows and public events around the country.

However, Tremonti is not the one determining policy in the Berlusconi government. The Forza Italia itself is a mix of various and opposing elements: While there are some who support pro-infrastructure and growth policies, other leading members are representatives of the ultra-free-market Mont Pelerin Society, and yet another faction is linked to the right-wing, synarchist-leaning groups that are preparing to impose outright fascist policies as the current financial and economic crisis worsens. Furthermore, Tremonti himself is not immune from the market ideology which dominates policymaking today; he boasts of how the Berlusconi government has succeeded in reducing unemployment by making the labor market more “flexible,” just as demanded by every free-market economist in the world today.

As he demonstrated in the Feb. 21 event in Milan though, Tremonti is willing to put up a fight on dirigist policies, and his return to a prominent position in Italian politics clearly reflects a certain amount of institutional support for this position. Tremonti lit into the European Union's rules against state intervention in the economy. The “power of the European Union bureaucracy,” said Tremonti, is just as totalitarian—although it considers itself benevolent—as that of the former Soviet Union. We have “gone from the dogma of Communism to the dogma of the free market,” and the fanatical application of these free-market rules is destroying the productive base of the European economy. The free market penalizes industry, he said, and for this reason we need protectionism. Upon prompting from *EIR*, Tremonti also reiterated his proposal for a regional bank that can promote development in Italy's South, the Mezzogiorno.

## The New Bretton Woods

When *EIR* challenged him to support LaRouche's proposal for a New Bretton Woods, Tremonti brought out his more “practical” side, answering that today, despite the problems of the Stability Pact, the euro now exists and it would be impossible to turn the clock back. We have to deal with the crisis in this context, he said. Throughout his remarks, though, he referred to the importance of continuing what clearly appears to be an uphill fight. “Good ideas have to go uphill,” he said, “but they eventually get somewhere.”

Finally, he noted that someone recently gave him a book against protectionism, written by Italian Mont Pelerinite Antonio Martino (current Defense Minister, and a prominent member of Forza Italia). “We must be making progress,” he said, “because there are already books attacking us.”

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## From the EIR Berlin Seminar

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# French Gov't Policy: Words Belied by Deeds

by Jacques Cheminade

*Here is a speech delivered by Jacques Cheminade, to the Jan. 12, 2005 EIR seminar in Berlin (subheads have been added). Cheminade, a longtime friend and associate of Lyndon LaRouche, ran for President in France in 1994 and 2002, most recently with the Solidarity and Progress (Solidarité et Progrès) party.*

Much was expected of France once she had taken a stand, alongside Germany, against the second Gulf War. Regrettably, however, faced with such great expectations, precious little has transpired.

President Jacques Chirac has often spoken very warmly of peace; he has proposed that a tax be levied on financial transactions in order to help the Third World; and he has moved to intensify our relations with Russia, China, and India. Why then has nothing concrete come from such fine intentions, nothing that would truly prove up to the circumstances? And why has our flamboyant Foreign Secretary Dominique de Villepin been replaced by that drab compromiser Michel Barnier?

The first reason is that our President lacks the steadfastness of political will and determination. In that, he is no different from his European colleagues. The second reason is that our high-ranking civil servants and bureaucrats of all sorts have dug in their heels against change, and taken on a mindset where compromising and submitting to the so-called Laws of the Marketplace have taught them to keep their heads very low. Worst of all, our domestic economic policy, every bit as liberal, in the modern sense, as that of the U.S. Administration, has stifled every impulse that our leaders may once have entertained to stand up and be counted, in the face of the sort of foreign policy that we have seen coming out of Washington.

## Austerity Against Labor, the Elderly

Indeed, the domestic economic and related decisions that have prevailed in recent years, are scarcely such that would rally a nation behind a bold foreign policy. Public expenditure on research and education has shrunk, while de facto, state pension benefits have been slashed; as early as 1993, the Balladur government decided that state pensions would henceforth be pegged to the official inflation rate rather than to wages, and the Fillon Act has raised pension taxes once more.



Lyndon LaRouche (left) with Jacques Cheminade. At the Jan. 12 EIR Seminar in Berlin, Cheminade criticized the French government, despite its anti-American posture, for aping the economic and social policies of the Bush Administration.

As for labor law, the government has pressed for changes, and these changes are being sold under the label of “greater freedom of choice for the individual.” Thus, in individual employment contracts, the parties may now derogate from collective agreements; as a result, on the level of a company, the workforce may find itself at a disadvantage, relative to the stipulations of the relevant collective bargaining agreement. Similarly, attempts are currently well under way to reform the Act of Parliament known as the Aubry Act (Jan. 19, 2000), pursuant to which the work week had been cut back to 35 hours. For the last five years, civil servants’ wages have virtually been frozen, despite high inflation, while health and other benefits have been gnawed away at, gradually but unceasingly. Overall, this adds up to poor labor relations, and scant enthusiasm for any unusual policy the government might care to adopt.

On closer scrutiny, the pretext put forward for all this cutting and slashing, *viz.*, a supposedly “gaping” hole in the Social Security account, turns out, at the end of the day, to be very nearly as fallacious as President Bush’s attempts to parlay the U.S. population into partly privatized pensions.

In France, both employer and employee pay into state national insurance programs, the employer’s share being larger. In recent years, the state has increasingly taken to “subsidizing” business by waiving its right to collect the employer’s share of dues on certain wage categories.

Now, of course, those dues are “gone missing” from the state’s budget. Similarly, the alcohol and tobacco levies, as well as the taxes raised on businesses and industries that have disregarded anti-pollution regulations, are no longer paid into the various national insurance schemes, but rather tossed into the general budgetary pot, to try to make good the national budget deficit. Similarly, owing to mass unemployment, ever-fewer workers pay into the national insurance programs, thus

aggravating still further the Social Security deficit. But the government of Prime Minister Raffarin has plumped for a Guilt Campaign: Both doctors and patients are constantly being denounced in official pronouncements, as well as in the mass media, for “over-spending” on health. This has not only made Raffarin most unpopular; as personal outlays for medical expenses go up, less and less income is available for other categories of consumption.

Although in November 2004 Nicolas Sarkozy, a liberal ideologue close to Tony Blair, and to American neo-conservative circles, was replaced as Economics Minister by Hervé Gaymard, the latter has certainly not broken with his predecessor’s monetarist policies.

M. Gaymard has trumpeted to all and sundry that he will fulfill President Chirac’s electoral vow to slash taxes by one-third between 2002 and 2007, on the basis that “cutting taxes will jack up the employment rate.” That rusty old saw was rolled out for the umpteenth time in Pinochet’s Chile and Margaret Thatcher’s England. But if we are to call a spade a spade, what the French government is actually up to is fiscal austerity. That means whittling away at public expenditure as one cuts taxes for the well-off, meanwhile presuming to pursue a generous international policy and bring succor to poor nations. A flagrant contradiction, that casts doubt upon an international policy whose sole and shaky foundation would appear to be words, words, and more words.

### **Closer Relations with Bush**

Although the French government did, truth to tell, strongly disapprove of the Bush Administration’s Iraqi adventure, our Justice Minister Dominique Perben nevertheless moved to allow the U.S. government to “continue infiltrating France” for allegedly anti-terrorist purposes; those were his very own words, uttered on May 11, 2004 during a trip to Washington. Minister Perben went so far as to acknowledge that the Act of Parliament known as “Perben II,” purportedly designed to combat organized crime, was intended—like U.S. Attorney General John Ashcroft’s Patriot I Act—to “fight terrorism before ever an attack occur.”

How, on the one hand, can a government possibly claim to object to a “preventive war” waged by the neo-conservatives, if it take that sort of legal and political stand in domestic affairs ?

This double-talk has rather overshadowed all the generous, even bold gestures from Paris. Should one be overly astonished were there to be announced, suddenly, and very theatrically, a new era of realistic, *ergo* closer, Franco-U.S. relations, the outcome of which would be nothing but an outbreak of great confusion? One thing is plain though: Whatever may actually be going on, can scarcely be compared to the state of mind of Gen. Charles de Gaulle when, in the 1960s, he confronted a U.S. Administration far less questionable than that of George W. Bush today.

Neither the Chirac government nor the Opposition have



*A LaRouche Youth Movement demonstration in Paris shows former Economics Minister Nicolas Sarkozy (nicknamed Sharkozy) going after other demonstrators with his giant scissors; he is held on a leash by the IMF. The banner says: “World Economic Crisis—Act Quickly for a New Bretton Woods: Join LaRouche.”*

shown the faintest sign that they will actually fight for truth. They have rather sought to defend special interests, whilst pandering to the tastes and inclinations of public opinion.

In a time of crisis, that spells only weakness. Any attempt to be “liked” or “admired,” when one should be leading and guiding, will prevent one from acting with the grandeur the circumstances call for. True love for one’s country and one’s people means placing the dignity of man before all other considerations, and acting in the best interest of generations to come. My task is to inspire my fellow citizens—as well as their leaders—to break with so impotent a world outlook, and to recover the will to fight for justice and peace, through far-sighted principles.

## What Is To Be Done

If our destiny is to be something other than subjection and disorderly confusion, five issues are, to my mind, fundamental:

1) France’s foreign policy must take into account the actions by the forces that support, or are inspired by, Lyndon H. LaRouche in the United States. What those forces are now doing alongside many Democrats, as well as moderate Republicans who cannot abide the neo-conservative and religious fundamentalist milieu, does indeed correspond to our own interests, provided those be well understood! No policy of appeasing the Bush Administration, even if much of that is only for show, can meet the challenge of our time. A struggle that will decide mankind’s fate is under way in America. That must be understood in terms of its consequences for our own conduct, just as de Gaulle saw that the war was world-wide,

and that no compromise was in order with an enemy who had done more than win a major battle, in that war.

2) The Youth Movement that we have sparked off in Europe must become a decisive political factor like the LaRouche Youth Movement in the United States, building the future’s leadership whilst intervening today into the established political parties and forces, so as to draw clear battle lines.

3) In that sense, if one is just such a patriot and a citizen of the world, one can fairly be described as more of a Frenchman than the current head of the UMP, the ruling French political party, namely Nicolas Sarkozy. On a recent trip to New York (people *do* become oddly talkative in America!), he went so far as to declare that he feels like “a stranger in his own country” on reaching the shores of the U.S.A.

4) A dialogue between civilizations and cultures is needed both within our own selves, and within our country, to give our policy a vast enough dimension. Its launching pad

must be what we have in common, the good of all mankind, in order to act on the basis of what defines our very soul, rather than any striving to reconcile diverging dogmas.

5) In the here-and-now, there must be lent a physical and operational reality to the “idea of France” that de Gaulle so often appealed to, one that defines ourselves and our history as a nation-state. In the mind of every Frenchman, therefore, we have got to bring to life those particular moments in history where we were a moving force towards the goal of universal progress.

I love my country, and therefore, just as you do, I expect a great deal of her, more than of other nations. The harsh joy of taking responsibility entails getting her back onto that straight and narrow path, the path where one devotes oneself to the best advantage of all. Unless France recovers this sense of mission, this sense of universality, she will cease to be a nation-state. We shall have to put right those moral and cultural shortcomings in ourselves and in our leaders that have shackled us. Like de Gaulle at London in June 1940, or Lyndon LaRouche speaking from his jail cell between 1989 and 1994, we must carry on even if that means solitude, on behalf of the legitimacy that we serve. Better to be the humblest in a state of true citizens, than raised up to great heights amongst the official compromisers.

Through that struggle, we shall become stronger in our attempt to even save our nations, and especially, despite themselves. Our answer to impending chaos must be change, for there is nothing, whether in the individual human being, or in the Republic, that will remain forever, save change alone.

# Will France Become a Farming and Perfume-Exporting Nation?

by Christine Bierre

This is the question posed in a report on the state of French industry authored by Jean Louis Beffa, the CEO of St. Gobain, one of France's top multinational companies. It calls on the state to help in a massive effort to reorient French private companies towards investments in high technology.

The report was commissioned by President Jacques Chirac, clearly in an effort to stop a dynamic which could lead to a total decline of France as an industrial power. It was not innocently that he asked Jean Louis Beffa to author it. Beffa has the reputation of a "Colbertiste," or of following in the tradition of former Gaullist President Georges Pompidou, and who thus remains attached to the great public investment programs of the Gaullist era, which have determined France's areas of excellence in the domains of nuclear power, aeronautics, space industries, and railroads.

This reports reflects a general outcry of the French political elites as a whole, plunged into a crisis by the stronger and stronger competition from countries like China, India and the Eastern European states, and fearing, as Laurent Fabius (a former prime minister, and later Minister for the Economy, Finance and Industry, from March 2000 through May 2002) stated in a recent speech, that if present trends continue, France will become nothing more than a name tag on the door of a museum! Beffa's contribution to the debate follows closely a report published last year by a working group of the Senate Economic Affairs Commission, entitled "Outsourcing: For a Neo-Colbertiste Europe." That policy paper pleaded strongly for France to concentrate on developing its domains of excellence, rather than competing in areas where emerging countries are developing strongly, while having 30% lower production costs.

The Socialist Party is also beginning to contribute to this debate. Jean Louis Levet, their "national delegate to industry," authored a recent editorial on the party's website along the same lines. It stated that three myths must be de-

stroyed in order to restore the industrial power of France: the "myth of the post-industrial society, characteristic of the end of the 1980s, which confused mutation with the end of industry; the "myth of the new economy of the 1990s, whose postulate was that the creation of shareholder value should replace creation of wealth"; and the current myth that service jobs have a stronger value added than manufacturing jobs.

## The Industrial Decline of France

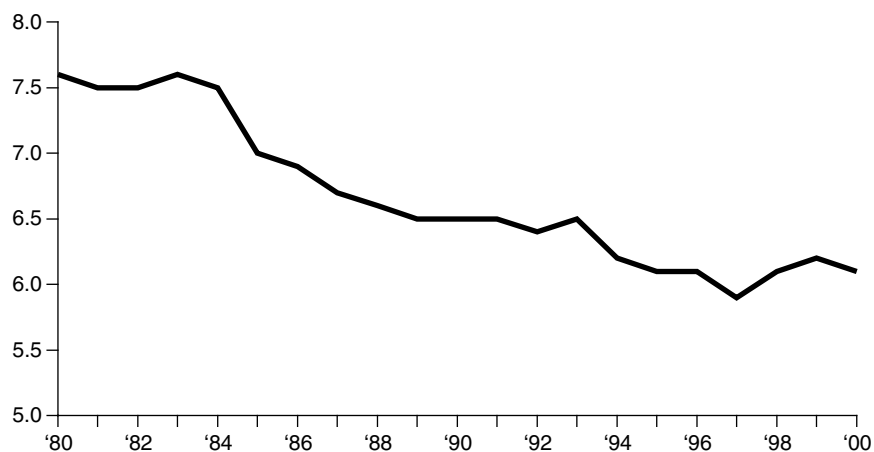
Before going into the specific situation of French industry and the solutions proposed by his report, Jean Louis Beffa pleads for the cause of industry. Forbidden for years by France's financial and consumer economy, where the word production became almost a sin, Beffa's and the other reports insist on the "essential role played by industry in economic development."

What is the present state of French industry? Compared to 1974, the height of the post-war reconstruction years often referred to in France as the "30 glorious years," the decline of French industry has been most dramatic: Employment in industry went from 38% of the work force to 17% in 2004! Of course the enormity of these figures can be slightly lessened by different factors: 1) decreased employment in industry because of high technological productivity investments in industry which made it possible that, in spite of fewer workers, "value added" in manufacturing remained the same in volume in the last 20 years; 2) externalization of industrial services which are now part of the "service" category; 3) more and more recourse to temporary workers, which in France belong to the category of services as well.

Beffa and the other experts estimate that France has been

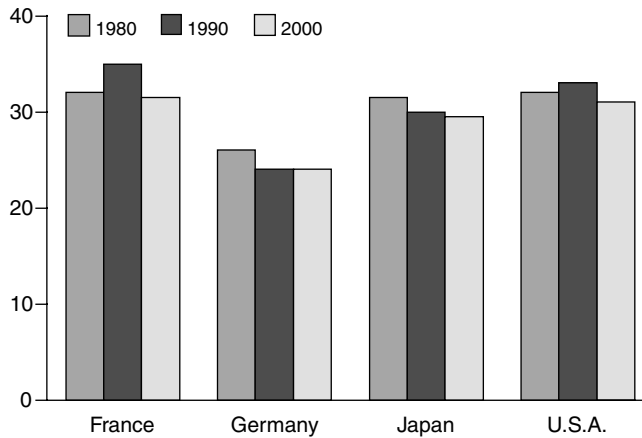
FIGURE 1  
**France's Proportion in Total Value Added of 15 OECD Nations' Industrial Manufactures**

(Percent)



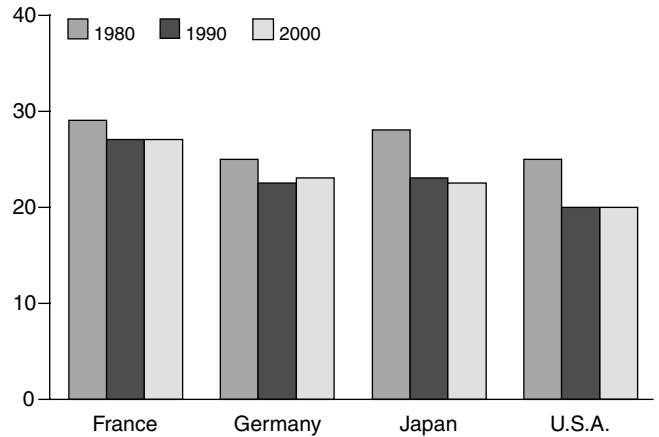
Source: Organization of Economic Cooperation and Development.

FIGURE 2a  
**Value Added: Low-Technology Industry**  
 (Percent)



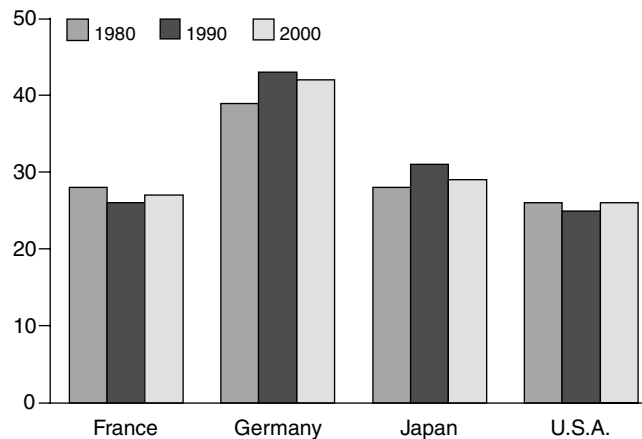
Source: O.E.C.D.

FIGURE 2b  
**Value Added: Low-Medium-Technology Industry**  
 (Percent)



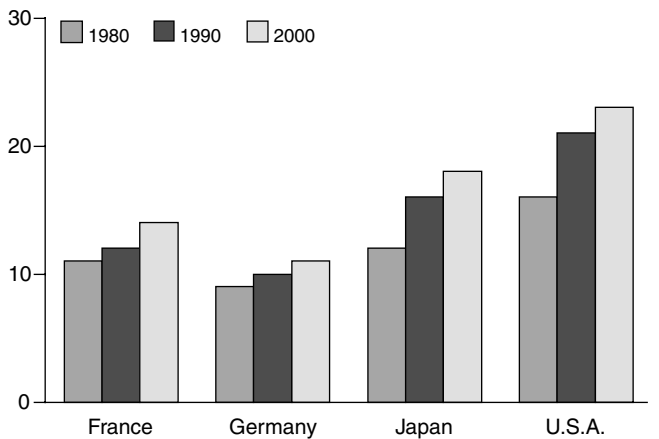
Source: O.E.C.D.

FIGURE 2c  
**Value Added: Medium-High Technology Industry**  
 (Percent)



Source: O.E.C.D.

FIGURE 2d  
**Value Added: High-Technology Industry**  
 (Percent)



Source: O.E.C.D.

able to preserve, sometimes better than its partners, its front-running companies in the areas of steel, chemical products, cement, glass, aeronautics, automobile, and transport (railroad) equipment. Interestingly, all these were the areas developed in the post-war reconstruction period which France is still living on. The domains defined by the great state programs from the Gaullist era—aeronautics, space, civilian nuclear power, electronic components, and nano-technologies (added in the recent period), are still the domains of excellence of French science, technology, and industry.

France contented itself, at best, with maintaining its

achievements of the post-war reconstruction era; and at this point, it is clearly declining more and more. “The global downshift in industry is perceptible in the creation of jobs, in its contribution to value added, and in its contribution to the commercial balance,” states Beffa. This downshift is due to a “too strong specialization in low-technology industries,” and in a public/private research and development effort which is not closely coordinated with industrial development.

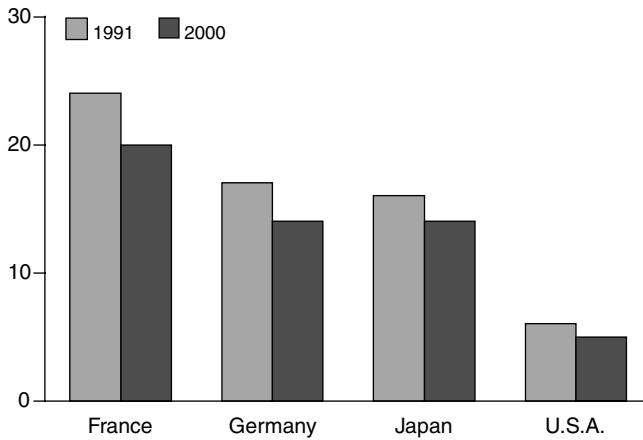
A series of graphics speak better than many words:

**Figure 1** shows “the decline of France’s weight in the value added of manufacturing since 1980” compared to 15

FIGURE 3a

**Exports: Low-Technology Industry**

(Percent)

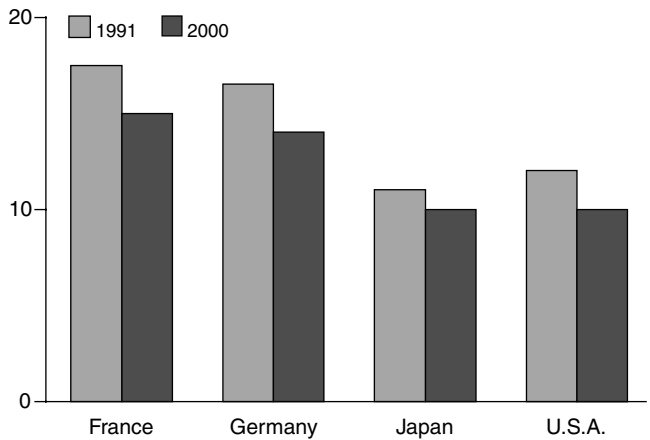


Source: O.E.C.D.

FIGURE 3b

**Exports: Low-Medium-Technology Industry**

(Percent)

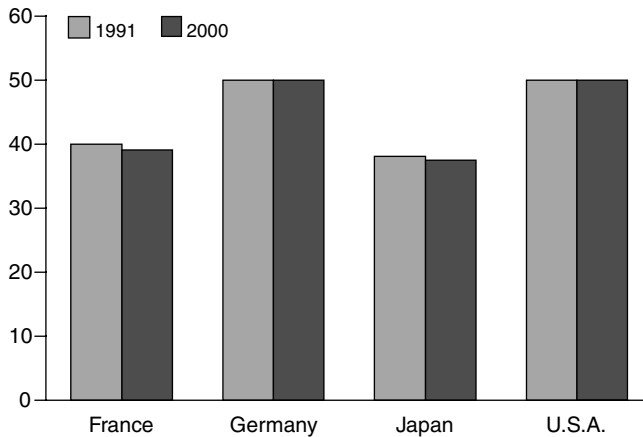


Source: O.E.C.D.

FIGURE 3c

**Exports: Medium-High-Technology Industry**

(Percent)

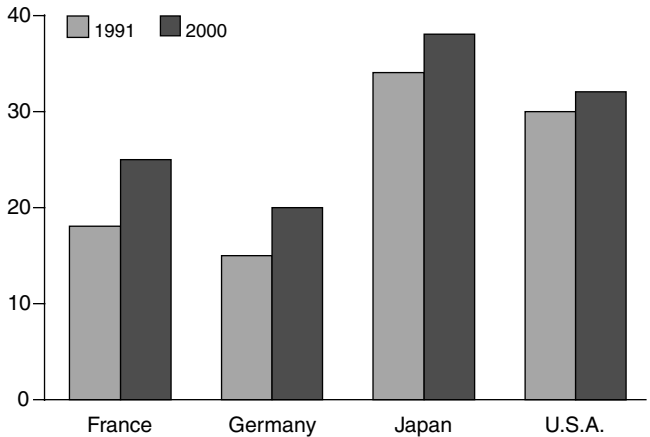


Source: O.E.C.D.

FIGURE 3d

**Exports: High-Technology Industry**

(Percent)



Source: O.E.C.D.

other OECD countries. It reveals that the transformation of imported raw materials to finished or semi-finished products, has severely declined compared to the results of France's partners.

Figures 2a-d show "a too-weak specialization in the industries of high technology," aside from those sectors concerned with the older state programs of the Gaullist era. Established on the basis of OECD statistics, those graphics divide technologies into four large categories: low, medium-low, medium-high, and high technology. The comparison with Germany, Japan and the United States, shows to what extent value added by French industry is strongly in the low and

medium-low technologies.

Figures 3a-d show the weaknesses of French industrial specialization relative to the commercial balance. Comparison of the export structure of French manufacturing industries with those of Germany, Japan and the United States, shows a clear-cut pattern: French exports are clearly in the low- and medium-low-technology brackets, which puts France in direct competition with all the emerging countries, whose production costs are unbeatable from the standpoint of any advanced-sector nation.

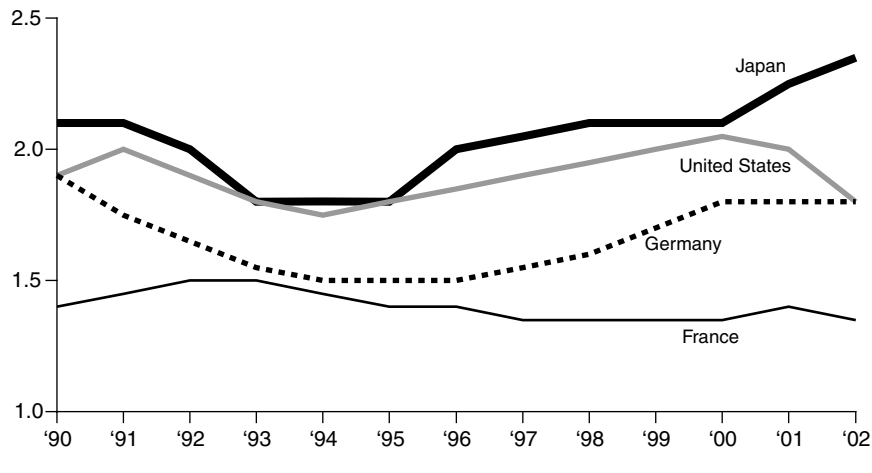
Figure 4 shows an additional great weakness, in the research and development investment of French companies;



FIGURE 4

## Business R & D Expenditures as Percent of Gross Domestic Product

(Percent)



Source: O.E.C.D.

and a comparison once again with Germany, Japan and the United States shows that the French in decline private R&D goes back to 1992. The statistics of the Office of European Patents confirms this tendency, and shows France as the little red caboose, at the end of a list of 18 countries for its declared industrial patents!

### What To Do?

In light of this dramatic situation, Jean Louis Beffa calls on the French state to intervene with public aid, in order to create the conditions for a reorientation of French industry towards long-term research and high technologies. Beffa explains that under present conditions of instability of rates of exchange, of oil prices and the rest, private companies cannot afford the risk of going into high-technology long-term investments. Also, the demands of investors for short-term profits are so high that they entirely forbid long-term ventures of this type.

Beffa proposes, therefore, that France move towards the Japanese or American models of state support to both public and private R&D. His proposal for the creation of an Agency for Industrial Innovation has already been approved by Jacques Chirac, and it will start functioning sometime around April.

This Agency will choose, every year, a certain number of projects, and will provide half of the required R&D, the companies providing the rest. The total financing capacity of the agency will be 1 billion euros per year. This aid, aimed at large private companies able to constitute large and solid French or European groups in order to resist competition, will be medium- and long-term, and will have to be paid back.

The criteria for the projects are 1) their economic feasibility, where sales would be in the area of 1 billion euros in markets estimated at 10 billion; 2) their very high scientific and technical content, demanding the solution of difficult scientific problems, and able to provoke “technology discontinuities”; 3) their duration, which must be between 5 and 10 years; 4) their involvement of public and private players; 5) their requirement to enhance Europe’s capacities worldwide.

Among the main projects proposed in energy, transportation, health, environment, and computer and communication technologies, as exemplary categories, are: fuel cells (aimed at replacing gasoline as fuel for vehicles), the fourth generation nuclear power plants; in the medical field, the fight against infectious (AIDS) and degenerative diseases (Alzheimer’s, multiple sclerosis, etc.), in transports, a new generation TGV

(high-speed rail) is proposed, as well as rapid maritime transportation.

Having rejected the post-industrial “revolution,” *EIR* fully supports the diagnosis of the Beffa report; his proposals go in the right direction. This proposal, however, cannot replace the total reform needed by the global economic and monetary system. The problems of French industry are the result of the monetary order which replaced the Bretton Woods system in 1971, and which is based on short-term financial profits to the detriment of long-term scientific/technological investment in industries and in the formation of, and adequate living standards for, a qualified workforce. One cannot introduce a “little bit of technological progress” in a system which is not compatible with high technology.

Jean Louis Beffa’s proposals would, however, be relatively adequate for private industry in the context of a global change back to the public economic policies of the post-war reconstruction in Europe. The LaRouche project for a financial reorganization of the system, and the reorientation of investment towards large infrastructure projects aimed at rapidly industrializing the Eurasian countries, will open up large opportunities for the private sector in all the countries involved—undoubtedly more interesting than some of the projects proposed by Beffa. While fuel cells and the fourth-generation nuclear plants are very interesting, a new generation of high-speed rail TGVs, that would not go in the direction of the magnetic-levitation trains of the German and Japanese models, is not really a technology which provokes discontinuities. And the renewable energies proposed by Beffa, are rather a jump back to the Middle Ages.

## LaRouche Youth Lead Democrats In Mobilization Against Bush

by Nancy Spannaus

In a phenomenon unseen since the 1970s, U.S. Congressmen around the country are convening town meetings to discuss the issue of Social Security, which is now threatened by President George Bush's manic plan to steal the elderly's pension funds for Wall Street. The Democratic Congressional Caucus has announced that it will hold at least 300 meetings by the end of February, and, in a counter-attack, some Republican legislators are taking to the hustings as well. Anywhere from tens to hundreds of citizens are showing up, and engaging in heated discussion of this national policy issue.

The most promising feature of this mobilization, however, is not just the fact that Congressmen have decided to involve their constituents in this life or death issue, but the role which is being played in many of these meetings by members of the LaRouche Youth Movement (LYM). In Ohio, New England, Pennsylvania, Washington State, Maryland, and California—to name a few—LYM members have stepped forward to address the crowd on the issues *behind* the Social Security issue as such, specifically the need to adopt Lyndon LaRouche's proposals for reindustrialization, and a new monetary system. LaRouche's proposals, as FDR's in the 1930s, the youth argued, are the only means of thoroughly defeating the synarchist bankers, who are driving Bush into the privatization plan as a means of imposing fascist looting upon the nation.

### Ohio's Representative Tubbs-Jones in Action

While, in many cases, the Congressmen or their aides seek to protest the youths' straightforward briefing on the fascist threat, and how to defeat it, the citizens attending the meetings have been largely receptive. In several cases, some of the older persons attending, especially those from working-class backgrounds, have risen to take on their Congressman for having permitted American jobs to be moved overseas. They have taken thousands of the latest LaRouche PAC pamphlet,

and in some cases, sought to set up other meetings where the LaRouche youth can educate people on what's really at stake in the Social Security battle.

Cleveland area Congresswoman Stephanie Tubbs-Jones, the brave Democrat who raised the challenge to the electoral vote result in Ohio during the Jan. 6 joint session of Congress, has held at least two town meetings on Social Security, which the LaRouche youth have attended. Tubbs-Jones, who is on the Social Security subcommittee of the House Ways and Means Committee, led off each of the meetings with a power-point presentation showing that there is no crisis for Social Security. The audience of the first meeting, held in Cleveland, was mostly elderly, with about 50 persons attending. The second, held in the suburb of Bedford Heights, drew about 75 people, including many elected officials from the area. It was notable at these meetings, as at others around the country, that there were almost no youth present, other than the LaRouche Youth Movement members.

At the first meeting, LYM leaders Merv Fansler and Maria Channon both distributed literature, and spoke. Fansler congratulated the Congresswoman for opposing the certification of Bush, and then went ahead to challenge her to address the larger issue of *why* the Administration was seeking to steal Social Security, and the threat of default of U.S. Treasury bonds. Tubbs-Jones responded by citing statistics showing that Wall Street would benefit to the tune of \$904 billion *a year* under Bush's plan. Channon's intervention called on Tubbs-Jones to join LaRouche in his drive to revive the Bretton Woods system, as the necessary next step in restoring the FDR tradition.

At the second meeting, Tubbs-Jones was even more aggressive toward the Bush Administration, and said that "we are going to make Bush a lame duck President." She also characterized the Administration's pattern of manufacturing crises, as in the case of Iraq's WMD. When LYM member Fansler asked a question, the Congresswoman said: "Oh

good, the young man with LaRouche came back to our meeting. What's your question?"

This set the stage for Fansler's intervention, in which he outlined that the intention of the Bush Administration is to dismantle Social Security, and then brought up the challenge of involving youth in this fight. After noting that there were only two or three youth in the room, he described how LaRouche had organized an international youth movement, and issued a challenge to Tubbs-Jones: "I am asking for not just you, but council members and all the men and women in the room to work with our youth movement to build town hall meetings and get youth involved in the greater Cleveland area."

While there was no immediate commitment, the citizens present responded to Fansler, and Channon (who spoke again on the choice before the nation being Chilean dictator Augusto Pinochet versus FDR), by coming up for discussion, and in many cases, literature. Others proffered invitations for the youth to speak to other events.

## Setting the Agenda

At numerous other meetings held after the Presidents' Day conference of the LaRouche movement, the LaRouche youth were able to lift the agenda from the question of simply fighting Social Security privatization, to the real fight against fascism, and *for* restoring the FDR approach to reviving the economy.

One of these meetings occurred in Oxon Hill, Maryland, with Congressman Albert Wynn, who led off the meeting of about 60 people with a speech about how there is no crisis in Social Security, and that the whole economic agenda of the Bush Administration has to be changed by taxing the rich. This set the stage for sharp interventions by three LaRouche youth. The first, Victor Folyan, slammed the role of George Shultz and the point that the Social Security theft plan was the outgrowth of the bankruptcy of the financial system. Wynn immediately agreed. The second, Keshia Rogers, asked Wynn to address the question of bankruptcy reorganization and job creation, as well as reaching out to young people. (Wynn said they had tried to do the latter.) The third youth, Muiyi Abasi, went directly to the point: "LaRouche has been right; are you going to support LaRouche?"

At this point Wynn, whom the LaRouche youth have attempted to visit on Capitol Hill in their many Days of Action, reverted to a bureaucratic stall, saying he wouldn't meet with anyone without an appointment. The contrast between his approach, and that of the LaRouche youth, was quite instructive for the audience.

A meeting held by Rep. James McGovern in Marlborough, Massachusetts also drew about 60-70 people, and resulted in extended discussion between LaRouche youth and the Congressman. After addresses by the Congressman and a representative of the American Association of Retired Persons (AARP), which primarily stuck to the "numbers" of the case against Social Security privatization, LaRouche youth

Matthew Ogden stood up to speak. Despite initial heckling against a LaRouche spokesman, he was permitted to continue, and laid out the need to reorganize the financial system to make Social Security solvent forever, by creating millions of jobs and re-industrializing the economy. Further discussion continued after the formal meeting dissolved, with people asking lots of questions, especially about LaRouche, since their media-molded image of him had been shaken by the youths' interventions.

Other town meetings convened in Ohio, by Rep. Dennis Kucinich and Sherrod Brown, also featured discussions on how the economy has to be reindustrialized, with massive job creation, sparked by the interventions of the LaRouche. The Brown meeting was attended by about 100 older workers, who quickly picked up on the jobs issue. At the Kucinich meeting, a LaRouche youth challenged the former Presidential candidate to actually join LaRouche to bring about a New Bretton Woods, but, as had happened during the Presidential campaign, ran into a blank wall. It's going to take more popular pressure, to get these Congressmen to respond openly, and work with LaRouche, but the LaRouche youth are well on their way.

## Republicans To 'Drink the Kool-Aid?'

Under pressure from the Bush Administration to go along with the unpopular privatization plan, Republican Congressmen and Senators are also holding some town meetings. According to media reports, they are running into a large amount of hostility from the mostly older crowds attending, which, unlike President Bush's audiences, have not been pre-screened. One example: Republican Shelley Moore-Capito of West Virginia, after holding two town meetings on Social Security, issued a statement: "If anyone tells you that I want to privatize Social Security, that person is lying."

This is reminiscent of the Florida Congresswoman who responded to pressure on this issue in her state by declaring, "I will not drink the Kool-Aid" of suicidally supporting Bush's plan.

The LaRouche youth intervened into a town meeting by Pennsylvania Republican Sen. Rick Santorum at Drexel University, which drew a highly polarized crowd of 250-300, and another one at Widener College, where the audience was heavily against Santorum's pro-Bush pitch. At the Drexel event, the LaRouche youth intervention was a direct challenge on Santorum's supporting Pinochet. Santorum showed his "democratic" inclinations by having the campus security evict both LaRouche youth, heavy-handedly. That was his way of answering the question of whether he was with Pinochet, or FDR.

Overall, the Republican leadership in the Congress is cautioning the Administration to "go slow," but remains committed to the privatization plan, which they hope to sell as part of the "ownership" society, and to which they hope to recruit some weak-kneed Democrats. As long as the LaRouche youth stay on the case, they don't have much of a chance of success.

# Support Slipping For Schwarzenegger

by Harley Schlanger

The latest polls out in California confirm what organizing squads of LaRouche Youth Movement (LYM) members have been reporting over the last month: Gov. Arnold Schwarzenegger's popularity is sagging. A new Field Poll shows that the percentage of voters who approve his job performance has fallen from 65% to 54% in the last four months, while the percentage who believe the state is going in the wrong direction is up, from 38% to 53%, in the same period.

This sharp decline in popularity coincides with the decision of Schwarzenegger's handlers to unleash him, to push through his so-called reform agenda, while his "star power" status still gives him some clout with the voters.

However, the decision to launch a frontal assault on nurses and teachers as "special interests," and on Democrats who oppose him as "evil," appears to be backfiring. His boast that he rejected the request of nurses for a reduced ratio of patients-to-nurses because they are a "special interest" and that, instead of caving in to them, he is "always kicking their butts," has led to renewed charges that he sees women only as exploitable playthings, to be used and cast aside. The Governor reneged on his campaign pledge to nurses to reduce the patient-to-nurses ratio from 6 to 1 to 5 to 1; he also plans to abolish the Board of Registered Nursing, which will give the hospital industry full control over licensing standards and testing, as well as investigation of complaints against the hospitals themselves.

Jamie Court, the president of the Foundation for Taxpayer and Consumer Rights, told the Associated Press, "The arrogance of taking on teachers, nurses, and other professions where woman are underpaid, overworked, and vital to society is beyond the pale. But Arnold," she continued, "is someone who treats women as objects, so it's natural for him to . . . disregard and devalue professions that are made up of women."

## California Test Case

Lyndon LaRouche has identified the "reforms" being pushed by Schwarzenegger as a part of a coordinated thrust to destroy the Constitutional guarantee that government will "promote the general welfare." Under the direction of his godfather, the old Nazi George Shultz, Schwarzenegger has

launched a sharp attack on programs which provide minimal aid to the poor, the elderly, the sick, and the disabled. If Schwarzenegger's reforms are passed by the voters, in the form of referenda, people in those categories will be treated as "useless eaters" and left to die—thus, the characterization of these "reforms" as Nazi policies, and the referenda as Hitler-style plebiscites.

Schwarzenegger also intends, as one of his "reforms," to hand the well-funded and well-managed state employee pension funds over to his Wall Street backers, as individual private 401(k) accounts. This is being pushed simultaneously with a similar scam by Shultz's other fascist stooge, President George W. Bush, to loot and dismantle the Social Security system. The Wall Street thieves and their ideological pimps at the Cato Institute hope to use Bush's "good ole boy" persona and Arnie's celebrity to break the resistance to killer budget cuts and pension thefts on the state and national levels, to provide an income stream to sustain their bankrupt financial system just a little longer.

Just as the hula hoop, baggy shorts, and the all-purpose greeting "Dude" spread from California eastward across the continent, Shultz hopes to use his Terminator as the wedge to impose his fascist policies. This was explicitly stated by Grover Nordquist, president of Americans for Tax Reform, a leading promoter of tax breaks for the wealthiest Americans, who told the *Sacramento Bee*, "If it's done in California, it is a good idea.

"California is 11% of the country," he continued. "Whatever you do is huge and big. And these things being picked (by Schwarzenegger) are also models for other states. Because you're voting on a series of initiatives, all of which are eminently transferable to other states. . . ."

## Looters for Arnie

To win this fight, Arnie is using the Enron model—i.e., seeking contributions from the interests which will benefit from his policies. As Enron dispensed large donations to get electricity deregulation passed in California, the self-dubbed "Collectinator" intends to build a fund of \$100 million from the real special interests, to dupe voters into backing him.

"The money is not for me," Arnie lied. "It's all to go out and to be able to have TV spots, and to educate the people and let them know which way to vote and that we can together reform California."

If the most recent poll, and reports from LYM organizers, are accurate, then Schwarzenegger's ability to dupe the "people" has been seriously eroded. One California Democrat estimated that circulating 1 million copies of the LaRouche PAC pamphlet, "Bush's Social Security Fraud: Stop George Shultz's Drive Toward Fascism," would be enough to send the doddering Shultz off to a retirement home and Arnie back to steroids. LYM leaders in California wish to assure readers they are up to the task.

# Bush-Cheney ‘Torture-by-Proxy’ Policy Under Growing Exposure

by Edward Spannaus

The Bush-Cheney Administration’s policies of direct torture, and what has been termed torture-by-proxy, are likely to dominate upcoming pre-trial proceedings, growing out of the Feb. 22 indictment against a U.S. citizen who had been detained by Saudi authorities for 20 months, at the request of the United States.

These bizarre developments in the case of Ahmed Omar Abu-Ali, who was charged with engaging in a conspiracy to assassinate President Bush, come as increasing attention is being focussed on the practice of “extraordinary rendition”—in which the U.S. government, specifically the Department of Defense, “outsources” interrogation and torture to certain countries which the State Department has otherwise regularly cited for human rights violations.

Three other notable examples of this practice—among what legal experts consider to be at least 150 such cases—which have drawn significant attention in recent weeks, are the following:

**Mamdouh Habib:** Habib is a 49-year-old Egyptian-born Australian citizen who was arrested in Pakistan in October 2001, and subjected to brutal physical torture, including electrical shocks, while in U.S. custody in Pakistan, Egypt, and Afghanistan, as a result of which he uttered false confessions. Habib was then taken to Guantanamo in May 2002, where he was subjected to psychological torture, including threats to his family, and sexual and religious humiliation by female interrogators. His “confessions” extracted under torture in the other countries, were also used by the interrogators at Guantanamo. Habib was freed in January and sent back to Australia, where he was reunited with his wife and four children.

**Maher Arar:** A 34-year-old Canadian citizen and engineer, Arar was detained at JFK Airport in New York in September 2002. After being jailed and interrogated, he was shackled and put on an executive jet, on which the American crew called themselves the “Special Removal Unit.” He was taken to Jordan, then to Syria, where he was tortured, and kept in a rat-infested, grave-like underground cell. After months of vicious torture and interrogation, the Syrians concluded that Arar had no links to terrorism, which they have stated publicly. Arar was finally released in October 2003, with no charges having been brought against him, and he now lives again, with his nightmares, in Canada.

**Khaled al-Masri:** Al-Masri is a 41-year-old Lebanese-born German citizen, who was abducted in Macedonia in December 2003, and taken by Americans to an unknown prison location, which he believed to be in Kabul, Afghanistan. While he was at the prison, where he was regularly beaten, there were a number of men he thinks were American, including a doctor. After he had begun a hunger strike, and was in his 35th day, a prison guard told him, “The Americans don’t care if you live or die.” After five months of such treatment, he was released.

On Jan. 9, 2005, the *Sunday New York Times* published a lengthy account of this case, based on interviews with al-Masri and with German officials investigating the case, who stated that they believed al-Masri’s account. *Newsweek* magazine reports in its current issue that it has obtained flight plans filed with German aviation authorities, of a Boeing 737 operated by an apparent CIA-front company in the United States, which conform to al-Masri’s account. *Newsweek* also said that German Interior Minister Otto Shily recently visited CIA Director Porter Goss to discuss the case, and asked for an apology from the United States.

## Pentagon or CIA?

The *modus operandi* in these and a number of other cases, is remarkably similar, in that suspects are taken aboard one of two identified planes—a Gulfstream executive jet, and a Boeing 737—owned by the same fictitious front-company, Premier Executive Transport Services, and flown to third countries for interrogation. A number of news sources have diligently tracked the comings and goings of these planes, especially the Gulfstream jet, which included frequent stops at Dulles Airport near Washington, D.C., and also Guantanamo. While most news organizations assume that it is the CIA which is operating these mystery flights, the *Chicago Tribune* reported on Jan. 8 that the executive jet is actually operated by the military’s Joint Special Operations Command (JSOC), headquartered at Fort Bragg.

The above-cited *Newsweek* article also reports that the CIA thinks that it is being exposed to legal peril by the White House. Late last year, then-White House Counsel Alberto Gonzales repudiated the most infamous of the Justice Department “torture memos,” which had been drafted in response to a CIA request for legal guidance on the handling of detainees.

Today, *Newsweek* notes, the Agency has dozens of detainees in its secret prison network that it doesn't know what to do with. A retired CIA official says that when the CIA had asked the White House in 2002 for legal guidance on how to dispose of these detainees, the answer was always, "We'll worry about that later."

To *EIR*'s knowledge, the entire "CIA" secret-detention operation has actually been conducted under the ultimate authority of Donald Rumsfeld's Defense Department, which has been designated the lead agency in the Administration's "Global War on Terrorism." Hanging the Agency out to dry, is perfectly consistent with Rumsfeld's drive to sideline the CIA and to have the military take over running all clandestine and covert operations.

### The Abu-Ali Case

Although Ahmed Abu-Ali was not abducted and flown to Saudi Arabia by U.S. agents (he was arrested there in June 2003, while taking university exams), his case is in other respects quite similar to the "rendition" cases. However, because he is an American citizen, his family had access to the U.S. Federal court system, and as a consequence, the case had become a growing dilemma and embarrassment for the Bush Administration.

In July 2004, Abu-Ali's parents filed a *habeas corpus* petition in Federal court in Washington. Judge John Bates, a conservative Republican who had worked for special prosecutor Kenneth Starr in the campaign against President Bill Clinton, said in a December ruling that the family had provided evidence that Abu-Ali was being held in Saudi Arabia at the behest of the U.S. government, "to avoid constitutional scrutiny by United States court," and Judge Bates pointedly warned that "a citizen cannot be so easily separated from his constitutional rights."

Judge Bates further ruled that Abu-Ali's parents "have presented some un rebutted evidence, that Abu Ali's detention is at the behest and ongoing direction of the United States." Specifically, he stated, the family had introduced some evidence that the U.S. government had initiated the arrest of Abu Ali, that the U.S. had interrogated him, and that "Abu Ali has been subjected to torture with the knowledge of the United States.

Despite the government's demands, the judge refused to dismiss the *habeas* petition, and instead he authorized discovery of evidence concerning the U.S. government's role in Abu-Ali's detention.

At the end of January, under massive pressure, the State Department issued a formal *démarche* to Saudi Arabia, demanding that they either indict Abu-Ali or return him to the United States. On Feb. 11, the Justice Department again asked the judge to dismiss the case, claiming that their evidence, and even their legal arguments, must be kept secret. "This is about as close to a state-secrets shutdown as you can get," Bates said in court, challenging the government: "How able

is the court to resolve a matter fairly when it's only able to hear from you?"

On Feb. 21, the *Washington Post* ran an editorial called "Injustice, In Secret," blasting the Justice Department for seeking dismissal of the *habeas* petition, based on "not merely secret evidence but also on secret legal arguments." It concluded: "It should be unthinkable that the courts would resolve this matter without hearing from both sides on key legal questions. It should have been unthinkable for the government to propose such a step."

### A Justice Department Diversion

It was under these pressures, that Abu-Ali was flown back to the United States from Saudi Arabia, and was taken to Federal court in Alexandria, Virginia, on Feb. 22, where the indictment was made public, charging him with engaging in a conspiracy to assassinate President Bush.

During the entire time that Abu-Ali was being held and tortured in Saudi Arabia, the U.S. government had never raised any such allegation. A number of those familiar with the case told *EIR* that no one had ever heard anything of the alleged "assassination plot" until the indictment was issued. In fact, to the contrary, the U.S. government had asserted on a number of occasions that it had no legal interest in the Saudi detention of Abu-Ali.

"The government is just trying to put out as much sensational stuff as they can, to divert attention from the case," attorney Morton Sklar said, referring to the *habeas corpus* proceeding.

David Cole, another attorney in the *habeas* case, told the *New York Times*, "I suspect it's no coincidence that this man sat in detention for 20 months until a federal judge in the United States was threatening to require the American government to disclose its arrangements with the Saudi government for holding him."

The indictment carries charges that could result in an 80-year prison sentence. If the government ends up taking the case to trial, indications are that its case will depend heavily, if not solely, on evidence obtained from Abu-Ali or co-conspirators while in Saudi custody, where they were reportedly tortured. But, as attorney Cole told *EIR*, it is well-established in U.S. law "that evidence obtained through coercion is inadmissible, no matter who committed the coercion," because it is known to be unreliable.

There are a number of reports that there were sharp disputes within the Justice Department as to whether to even bring the indictment in this case. But those who prevailed, may be hoping that they will never have to actually take the case to trial. It is typical of the way the Bush-Cheney Administration's Justice Department operates, to bring such heavy charges, with such lengthy sentences, in the hopes that the defendants will falsely plead guilty, rather than face the possibility of spending the rest of their lives in prison.

# Hail, Hail the Gang's All Here

by Ray McGovern

*The following is excerpted from an article published on Feb. 18, by TomPaine.com. The author is co-founder of Veteran Intelligence Professionals for Sanity.*

The nomination of John Negroponete to the new post of director of National Intelligence (DNI) caps a remarkable parade of Bush Administration senior nominees. Among the most recent:

- Alberto Gonzales, confirmed as Attorney General: the lawyer who advised the president he could ignore the U.S. War Crimes Act and the Geneva Conventions on torture and create a “reasonable basis in law . . . which would provide a solid defense to any future prosecution.”

- Michael Chertoff, confirmed as Secretary of Homeland Security: the lawyer who looked the other way when 762 innocent immigrants (mostly of Arab and South Asian descent) were swept up in a post-9/11 dragnet and held as “terrorism suspects” for several months. The dictates of PR trumped habeas corpus; the detentions fostered an image of quick progress in the “war on terrorism.”

- John Negroponete: the congenial, consummate diplomat now welcomed back into the brotherhood. Presently our ambassador in Baghdad, Negroponete is best known to many of us as the ambassador to Honduras with the uncanny ability to ignore human rights abuses so as not to endanger congressional support for the attempt to overthrow the duly elected government of Nicaragua in the '80s. Negroponete's job was to hold up the Central American end of the Reagan Administration's support for the Contra counterrevolutionaries, keeping Congress in the dark, as necessary.

### Introducing . . . Elliott's Protégé

Stateside, Negroponete's opposite number was Elliott Abrams, then Assistant Secretary of State for Inter-American Affairs, whose influence has recently grown by leaps and bounds in the George W. Bush Administration. Convicted in October 1991 for lying to Congress about illegal support for the Contras, Abrams escaped prison when he was pardoned, along with former Defense Secretary Caspar Weinberger (also charged with lying to Congress), former National Security Adviser Robert McFarlane and three CIA operatives. Indeed, their pardons came *cum laude*, with President George

H.W. Bush stressing that “the common denominator of their motivation . . . was patriotism.” Such “patriotism” has reached a new art form in his son's administration, as a supine Congress no longer seems to care very much about being misled.

President George W. Bush completed Elliott Abrams' rehabilitation in December 2002 by bringing him back to be his senior advisor for the Middle East, a position for which the self-described neo-conservative would not have to be confirmed by Congress. Immediately, his influence with the President was strongly felt in the shaping and implementation of policy in the Middle East, especially on the Israel-Palestine issue and Iraq. Last month the President promoted him to deputy national security advisor, where he can be counted on to overshadow—and outmaneuver—his boss, the more mild-mannered Stephen Hadley.

It is a safe bet that Abrams had a lot to do with the selection of his close former associate to be director of National Intelligence, and there is little doubt that he passed Negroponete's name around among neo-con colleagues to secure their approval. . . .

### Civil Liberties at Stake

The liberties that Gonzales, Chertoff and Negroponete have taken with human rights are warning signs enough. The increased power that will be Negroponete's under the recent intelligence reform legislation makes the situation still more worrisome.

How many times have we heard the plaintive plea for better information sharing among the various intelligence agencies? It is important to understand that the culprit there is a failure of leadership, not a structural fault. . . .

Lost in all the hand-wringing about lack of intelligence sharing is the fact that the CIA and the FBI have been kept separate and distinct entities for very good reason—first and foremost, to protect civil liberties. But now, under the intelligence reform legislation, the DNI will have under his aegis not only the entire CIA, whose operatives are skilled at breaking (foreign) law, but also a major part of the FBI, whose agents are carefully trained not to violate constitutional protections or otherwise go beyond the law. (That is why the FBI agents at Guantanamo judged it necessary to report the abuses they saw.) . . . Aware of these dangers and eager to prevent the creation of the president's own Gestapo, both the 9/11 Commission and Congress proposed creation of an oversight board to safeguard civil liberties. Nice idea. But by the time the legislation passed last December, the powers and independence of the “Privacy and Civil Liberties Oversight Board” had been so watered down as to be a laughingstock. . . .

“What the hell do we care; what the hell do we care” is the familiar second line of “Hail, Hail, the Gang's All Here.” With Chertoff, Abrams, and now Negroponete back in town, those concerned to protect civil liberties here at home and to advance them abroad need to care a whole lot. . . .

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## Book Review

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# A Defense of the Economic Royalists

by Stuart Rosenblatt

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### **For the Survival of Democracy Franklin Roosevelt and the World Crisis of the 1930s**

by Alonzo L. Hamby  
New York: Free Press, 2004  
492 pages, hardcover, \$30

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In the current political climate increasingly characterized by debate over the policies of President Franklin D. Roosevelt, Alonzo Hamby's book fails to comprehend the true fight between fascism and the republican, not "democratic," tradition embodied in the Presidency of FDR. It demonstrates the fact that even "pro-Roosevelt" scholars are now genuflecting before the anti-New Deal—and therefore anti-Constitutional—philosophy which has taken over the United States during the last 40 years.

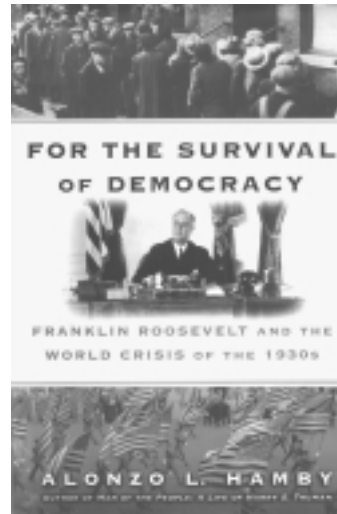
Hamby takes as his subject a comparison of the responses of Germany, Great Britain, and the United States to the deepening global economic depression of the 1930s. He correctly identifies the fundamental choice as fascism or some form of democracy, but, because he is illiterate on the economics of the American System, he ends up denigrating Roosevelt's accomplishments, and giving a totally false picture of the New Deal.

While some sections of the book are useful, its attacks on Roosevelt's economics are outrageous and evil.

For example, the so-called Democrat Hamby says in the postscript that he finds recent books by more "conservative" critics of Roosevelt to be useful, including those of Gary Best and Gene Smiley,<sup>1</sup> and blurts out his ugly (and wrong) criticism of the former President: "The New Deal did in numerous ways hinder the struggle against the Depression. It left the United States saddled with mass unemployment and a sluggish economy after the other developed countries had

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1. Gary Best, *Pride, Prejudice, and Politics: Roosevelt Versus Recovery, 1933-38* (New York: Praeger Press, 1991); Gene Smiley, *Rethinking the Great Depression* (Ivan Dee Press, 2002).



achieved recovery by one means or another. [sic! Was Schacht's Germany a recovery?] Moreover the American economic malaise surely deepened and prolonged the world-wide Depressions."

As Lyndon LaRouche has stated, it was precisely Roosevelt's economic buildup during the New Deal that laid the basis for victory in World War II.

Hamby, who currently teaches at Ohio University, is the author of numerous books and

articles, including the now "definitive" biography of Harry Truman, *Man of the People: A Life of Harry S Truman*. Hamby whitewashes Truman's most venal actions, including his most disgusting action, the dropping of the atomic bomb on Japan in 1945. He defends the atomic annihilation of Hiroshima and Nagasaki as "necessary" and "reasonable," a conclusion that flies in the face of all serious historical scholarship and moral decency.

His support of Truman, a bitter enemy of FDR, therefore colors his less than truthful portrayal of Roosevelt.

### **Where Ideological Baggage Leads**

Hamby's philosophical assumptions are on display throughout the book. They include his embrace of empiricist methodology and "objective analysis," his support for British Liberalism and the sophistry of "democracy." His treatment of economic policy is pervasively tainted by "free-market" assumptions, and relies on thoroughly discredited statistical analyses. From this standpoint, he cannot understand the way in which FDR's reinstatement of the principle of the General Welfare, through re-regulation, the provision of a social safety net, and government-facilitated construction of infrastructure, actually generated the recovery he is at pains to deny.

"Objective analysis" leads him to ridiculous comparisons between Hitler, Roosevelt, Stanley Baldwin, and other British leaders on almost irrelevant issues, such as their common use of the mass media. Using employment statistics, numbers of people on "the dole," etc., Hamby concludes that the British economy was in a stronger recovery in the '30s than was the United States. And despite claiming he hates the Nazi regime, he swallows the myth of the Schachtian "recovery" of Nazi Germany!

More of Hamby's philosophical biases emerge when he poses the correct question underlying the tremendous suc-



cess Roosevelt achieved in combatting both the Depression and the fascist-led war. Why was the United States able to do this? What constitutes American Exceptionalism? Hamby has no idea. He does not understand the Constitutional basis for the United States both resisting fascism, and being able to mobilize, politically and economically, to defeat the fascism to which the European liberal democracies fell prey.

As a result of this lack of understanding, Hamby argues that the United States and Great Britain are natural allies, because of their commitment to shared values, when in fact the opposite has been true. The two countries have been, and continue to be, mortal enemies, as systems, precisely because one is a republic and the other an oligarchical state, with not even a written constitution. The U.S. wartime alliance with Britain was arranged by Roosevelt as a temporary pact to defeat the common enemies of mankind. Churchill entered into the deal solely to prevent the conquest of Britain by a German fascist, though he was not averse to the principles of fascism, as evidenced by his earlier support for Franco and Mussolini.

## Historical Illiteracy

Hamby has no conception of the real history of the United States, and its Hamiltonian American System.

The American school was protectionist in both foreign and domestic economic policy, and stressed the development of infrastructure, manufacturing, and the cognitive potentials of the individual. As stated in the Constitution's Preamble, our national purpose is to promote the General Welfare of all the citizens.

All of these elements were magnificently employed during the first eight years of the Roosevelt Administration, and led to the greatest development of U.S. infrastructure in our history.

Hamby certainly gives lip service to FDR's infrastructure projects, and even acknowledges that he, personally, was educated in a school built by FDR, but he is unable to comprehend the remarkable difference between the impact of the Tennessee Valley Authority (TVA) and the pathetic make-work projects, or worse, under Baldwin and Chamberlain. And he is an immoral blockhead on Hitler's "Economic Miracle" of the 1930s.

Nor does Hamby understand that Hitler's fascism was a project of the international Anglo-Dutch establishment, the synarchist bankers, who were seeking a worldwide dictatorship in the 1930s, and who saw the American Constitutional system as their principal enemy. Thus Hamby is unable to perceive the guiding hand and ideas behind MacDonald, Hitler, Mussolini, and their American counterparts such as du Pont and Morgan. He ends up as an apologist for the proto-fascist policies of MacDonald and Baldwin, while defending the appeasement strategy of Chamberlain. It was

"regrettable," but wholly "understandable," he says.

Hamby's lack of understanding of the fascist threat posed by the Morgans, Mellons, Liberty League, du Ponts, and others, combined with his bias against the Roosevelt economic ideas of protectionism and regulation, lead him to become almost an enemy of the President he seems to ardently admire.

## Hatchet Man for Wall Street

It is clear from the title that Hamby does admire Roosevelt, and the book is filled with significant quotes from FDR's various speeches, all of which do inspire him. The title of the work is taken from the FDR's 1936 speech accepting the Democratic nomination, which is truly one of FDR's most remarkable pronouncements.

That said, the virtually schizophrenic Hamby brazenly supports FDR's enemies, especially the "economic royalists."

He defends the utilities in their assault on FDR's brilliant moves to regulate the industry, even though the debacle of Enron and other power deregulation today lie right before him. He defends the bankers against FDR's attacks on them for both causing the crash of '29 and the ensuing Depression, and he attacks parity for farmers, and defends free trade religiously. He insists that "businesses create the economic recovery and they can't be over regulated." He even defends the financiers against FDR's wealth tax, and supports Andrew Mellon in the famous battle fought with FDR over his tax evasion!

His biggest blindspot emanates from his inability to grasp the true importance of infrastructure development and physical economy. Thus he chooses to fixate on the political side of the Works Progress Administration (in creating a large "class" of political appointees and employees on "the dole"), rather than on the amazing accomplishments of the physical projects from TVA to highway construction, rail construction, and other programs that saved our nation. And he denounces the New Deal as having been a failure, because unemployment was still running in double-digit figures at the end of FDR's second term.

Ultimately, this book is nothing more than a very quiet hatchet job against FDR, on behalf of the same banking families against which the President valiantly fought.

In the addendum to the book, Hamby exudes the cultural pessimism that flows from his analysis, concluding that while Roosevelt was the greatest leader of the period, "Hitler unfortunately made the biggest difference. Imposing his will and nihilistic values on a great nation that might otherwise have simply experienced a run-of-the-mill right wing dictatorship [!], he led it into history's greatest inferno. What leader before him so changed the world?"

The fact that Franklin Delano Roosevelt miraculously saved the *world* from fascism, simply escapes the ideologically blinded Hamby.

## House Rams Through Immigration Bill

On Feb. 10, the House of Representatives passed, by a vote of 261 to 161, the "Real ID Act," which is supposed to make it more difficult for terrorists to get U.S. drivers' licenses and other identification. The bill was the result of promises made to House Judiciary Committee Chairman James Sensenbrenner (R-Wisc.), late last year, when anti-immigration provisions that he authored were stripped from the intelligence reform bill. The bill was brought to the floor so quickly that not only did Sensenbrenner's committee not hold hearings on it, but, at first, the GOP could not even agree on which amendments to allow on the floor, so debate on the bill was spread out over two days, with a separate rule for debate, each day.

As has become usual since the Republican Party took control of the Congress in 1995, procedural issues were just as much a subject of debate as the content of the bill. Rep. Alcee Hastings (D-Fla.) noted that, because the bill had not been the subject of one single hearing, there were provisions in it that had never been considered before. "The pattern of abuse by the Republican leadership continues unchecked," Hastings said. He called on the House to return the bill back to the Judiciary Committee for proper consideration.

The provisions of the bill include tightening criteria for the granting of asylum, authorizing the Secretary of Homeland Security to waive any law or other legal barriers holding up completion of the San Diego border fence, and establishing national standards for drivers' licenses, including prohibiting Federal agencies from accepting state-issued licenses that do not meet those standards. Rep. Henry Waxman (D-Calif.), the ranking Democrat on the House Government Reform Com-

mittee, charged that the bill "imposes costly new requirements on states that simply cannot be achieved in three years allotted by the bill." He also warned that the provision on the San Diego border fence, which gives the Bush Administration "unilateral authority to waive labor laws, state and local laws" and other laws, "presents a dangerous new precedent."

## DOD Still Studying 'Bunker-Buster' Bombs

A program that perhaps many thought died in the 108th Congress has reappeared in the Fiscal 2006 budget, the Robust Nuclear Earth Penetrator (RNEP), also known as the bunker buster bomb. Sen. Jack Reed (D-R.I.) took note of this during a Feb. 15 hearing of the Senate Armed Services Committee, which took testimony from the newly confirmed Secretary of Energy Samuel Bodman. "The most serious issue facing the department, this Congress and the nation," Reed said, "is the apparent obsession that this administration has with new nuclear weapons." Reed called on Bodman to "champion the beginning of a fresh look at nuclear weapons and nuclear weapons policy, and that this fresh look would include an open dialogue between the administration and the Congress."

The following day, Secretary of Defense Donald Rumsfeld, testifying to the House Armed Services Committee, could not give a definite answer to a question from Rep. Terry Everett (R-Ala.) as to whether or not there was a military requirement for such weapons, calling it a "question that's difficult to answer." "What I believe," he said, "is there is a need for a study," to take existing weapons to see if they can be reduced in explosive power so

that they can penetrate deeply into the ground, "in a way that could help protect the United States of America." Rumsfeld added the complaint, on Feb. 17, before the Senate Armed Services Committee, that "people are putting things underground in every rogue state, in countries that are not compatible with civilized societies," and therefore engaging in such a study is nothing more than a "responsible step" to take.

## Iraq War Supplemental Request Goes to Hill

On Feb. 14, President Bush sent up the long expected \$81.9 billion Fiscal 2005 appropriations request to cover the costs of the wars in Iraq and Afghanistan. The bill includes \$36.3 billion for combat operations there, \$5 billion to fund the Army's reorganizations into "modular" brigades, \$5.4 billion to repair and replace equipment worn out by operations in those countries, and \$3.3 billion for buying additional armor for trucks and humvees and other survivability equipment. The request also asks for \$7 billion for building Iraqi and Afghan security forces, \$2 billion to support U.S. allies in those two wars, including Pakistan and Poland, \$5.6 billion for the State Department, and \$950 million to aid countries stricken by last December's tsunami disaster.

While some Republicans are talking about removing some items from the request because they do not fit the definition of "emergency" spending, Democrats want to add more money to it. Sen. John Kerry (D-Mass.) is proposing adding \$8 billion to pay for more troops and for more health care and other benefits. Rep. John Spratt (D-S.C.) suggested that the request does not have enough money for repair and replacement of damaged equip-

ment, especially vehicles and helicopters. "I think our equipment is wearing out at a much faster than anticipated clip," he said. Rep. Brian Baird (D-Wash.) reported during a speech on the House floor, on Feb. 15, that he and 50 other members of the House had signed a letter to President Bush proposing that \$1.3 billion be added to the request for veterans' services, including for health care. "If we can find \$80 billion to send to Iraq, then, for goodness sake we can find \$1.3 billion to take care of our soldiers and their families," he said.

## **Class Action Reform Passed Into Law**

While most attention in Washington is focussed on the debate around Social Security privatization, the Bush Administration's allies in the Congress are moving forward with other items on the GOP agenda. Near the top among these is reforming class action laws to make it easier to remove a class action law suit from state court, where most class actions are filed, to Federal court. Proponents of the reform, which include many Democrats, argue that a handful of class action attorneys are gaming the system by forum-shopping for favorable judges, in order to gain settlements that benefit themselves, but not the plaintiffs.

Most members of the Senate agreed, passing a bill, on Feb. 10, by a vote of 72 to 26, which would grant Federal courts jurisdiction over any class action where the amount at issue exceeds \$5 million and involves citizens of different states. It also restricts settlements that result in coupons for members of the class, as well as settlements which largely cover attorneys' fees rather than payments to members of the class.

Senate Minority Leader Harry Reid (D-Nev.) warned, however, that such a reform threatens the basic principle underlying class action law. He said the bill "is about depriving consumers of access to the courts and letting corporate wrongdoers off the hook." The categories of class actions that could be removed to Federal court under the bill include "some very successful pieces of litigation that have made our society a better place," he said. These cases involved environmental pollution, insurance fraud, wage and hour disputes, and consumer fraud. "It effectively closes the courthouse doors to a wide range of injured plaintiffs," he said. It does so, because, under the bill, if a Federal court fails to certify a class, the plaintiffs cannot refile in state court. Reid warned that that would result in consumers losing their only means of redress in many cases.

In the House, where it passed by a vote of 279 to 149 on Feb. 17, the Senate bill was denounced by Rep. John Conyers (D-Mich.), who told the House that "if the legal system is rigged and the rules are stacked against you, you never have to get to the substance; you do not even get your day in court," and "that is the problem with this bill." President Bush signed the bill into law almost immediately on Feb. 18.

## **Lewis To Reorganize Appropriations Committee**

House Appropriations Committee Chairman Jerry Lewis (R-Calif.) on Feb. 9 announced the reorganization of his committee from the former 13 subcommittees to 10. The major feature of the reorganization is the elimination of the District of Columbia, Veterans Affairs, and Housing and Ur-

ban Development, and the Legislative subcommittees, and the redistribution of their responsibilities to the remaining subcommittees. Military Construction will be taken over by the Defense subcommittee, and a new subcommittee will take over Veterans Affairs as well as military health, housing, and facilities programs, and will be called the Military Quality of Life and Veterans Affairs subcommittee. NASA, which had been part of the VA-HUD subcommittee, goes to what had formally been called the Commerce, Justice, State and the Judiciary, now to be called the Science, Justice, State, and Commerce subcommittee. HUD will be added to the Transportation and Treasury subcommittee and environmental programs that had been in other subcommittees will be taken over by the Interior subcommittee.

Lewis said in a statement that the new structure "will allow us to spend less time on the floor and in committee and more time doing oversight over the expenditure of taxpayer funds." Ranking Democrat David Obey (Wisc.) had a different view. He charged that the new plan is nothing more than payback being extracted by House Majority Leader Tom DeLay (R-Tex.) against the VA-HUD subcommittee for making cuts in the NASA budget. "Mr. DeLay has made clear by this action that while he earnestly demands that 434 other members of the House accept the consequences of fiscal discipline," Obey said, "there will be one exception."

While Senate Appropriations Committee chairman Thad Cochran (R-Miss.) worked with Lewis on the reorganization, the Senate has yet to make a similar announcement. Senate Majority Leader Bill Frist (R-Tenn.) told reporters on Feb. 15 that while he looked favorably on the proposed changes, no decisions had been made yet.

## Putin Stands Up To Bush's Sabre-Rattling

by Muriel Mirak-Weissbach

Ironically, it was George W. Bush himself who said it: "Iran is not Iraq." What the U.S. President thought he meant, he explained, was that the diplomatic process with Iran, to settle matters related to its nuclear program, has not yet been exhausted; whereas, in the case of the other Persian Gulf giant, it had. Thus, in the case of Iraq, war had become inevitable. But actions taken in several Arab and European capitals, and especially in Moscow, cast his words in a totally different light. For President Vladimir Putin, in particular, such a statement could only mean that his nation, Russia, would *not* respond, in the event of armed aggression against Iran, in the same way that it had, during the 2003 war on Iraq. Quite the contrary.

Bush repeated his line on Iran, during his European tour the week of Feb. 21, pretending, on the one hand, to give credence and support to the efforts of the EU-3 (Great Britain, Germany, and France) in their year-long negotiations with Tehran, to ensure that Iran's nuclear program would remain limited to peaceful energy purposes, in exchange for technological assistance and trade expansion. On the other hand, Bush reiterated that "all options are on the table," and, during his visit to Mainz, Germany, hysterically insisted that Iran must not gain access to nuclear weapons. (See following article.)

In the same breath, as with as much vehemence, Bush repeated his threats against Syria. In the wake of the Feb. 14 assassination of former Lebanese Prime Minister Rafiq Hariri, which had been promptly pinned on Damascus by Washington, Tel Aviv, and stooges in the Lebanese opposition, Bush turned up the rhetoric, calling on Syria to immediately withdraw its troops and secret services from Lebanon. He focussed on this issue in talks with French President Jacques Chirac, who had co-sponsored the September 2004

UN Security Resolution 1559 to that effect.

Much to Bush's displeasure, to be sure, neither of the nations he had targetted cowered in fear. On the contrary, while Arab partners moved to defuse the Syria-Lebanon crisis, and the Europeans restressed their commitment to diplomacy with Tehran, Russia stepped in, issuing unmistakable signals that it would not tolerate another unilateralist U.S. military adventure in Southwest Asia.

### Diplomacy With Iran

On Feb. 18, Igor Ivanov, secretary of the Russian Security Council, stated that on the basis of respect for international norms and obligations, his country would continue its nuclear cooperation with Iran. Ivanov, who made the statements to his guest Hassan Rowhani, secretary of the Iranian Supreme National Security Council and a nuclear negotiator with Europe, said: "As regards Iran's nuclear program, it is important that Iran should continue a constructive dialogue with the International Atomic Energy Agency (IAEA). Tehran should ratify as soon as possible the additional protocol to the agreement on safeguards with the IAEA." Ivanov also expressed support for the arrangements between Iran and the EU-3 on Iran's nuclear program. Ivanov and Rowhani "also discussed questions of Russo-Iranian cooperation and a number of topical international problems," including security, terrorism, and drugs.

One day later, Russian wires reported a dramatic statement by Putin, which went far beyond anything Washington could have imagined. In his meeting with Rowhani, the Russian President said that "the latest steps from Iran *confirm that Iran does not intend to produce nuclear weapons*, and we will continue to develop relations in all spheres, including the peaceful use of nuclear energy."



President Bush (left) in talks with Russian President Putin in Bratislava, Slovakia. Russia issued unmistakable signals that it would not tolerate more unilateral U.S. adventures in Southwest Asia, whether over Iran's drive to build up its nuclear power capacity, or Syria's influence in Lebanon.

He added: "We hope that Iran will strictly adhere to all international agreements, in relation to Russia and the international community." The Russian President announced that he had accepted an invitation to visit Tehran in the near future. In addition, Russian Atomic Energy Minister Alexander Rumyantsev, it was announced, would go to Tehran to sign an agreement, planned for Feb. 26, on the return of spent nuclear fuels from the Bushehr nuclear power plant in Iran, to Russia.

Meanwhile, Rowhani travelled to Paris for talks with Chirac, obviously dealing with the nuclear issue. And the Iranian government, for its part, said it did not want the United States to meddle in the EU-Iranian dialogue. "The Islamic Republic sees no reason for U.S. participation in the discussions between Iran and Europe," Foreign Ministry spokesman Hamid Reza Asefi told the official IRNA news agency on Feb. 24. "If the Americans joined the talks, the best that could happen is that they would bring nothing to the negotiations and in the worst case scenario they would sabotage everything. We hope that the Europeans will continue to act independently," he said.

## Support for Syria

Russia intervened as well, to demonstratively exhibit its political support for Syria, and its refusal to accept Bush's blackmail. On Feb. 15, a letter from Putin landed on Israeli Prime Minister Ariel Sharon's desk, just one day after Syria had been blamed—without any evidence being presented—for the Hariri murder. The letter announced that Russia would go ahead with the sale of sophisticated anti-aircraft missiles to Syria. Putin wrote that the missiles were not the hand-held

SA-18s which Israel had been claiming could end up in the hands of terrorists, but vehicle-mounted missiles which posed no offensive threat to Israel.

At the same time, Arab League Secretary General Amr Moussa and Egyptian President Hosni Mubarak moved to defuse the crisis. Mubarak sent his security chief, Omar Suleiman, to Damascus, to "contain the situation," and the "find solutions." Syrian President Bashar al-Assad signalled to Moussa in talks on Feb. 21, his readiness to initiate the process of disengagement in Lebanon, as prescribed in the 1992 Taif Accords which ended the civil war.

Inside Lebanon itself, according to a Beirut source, the attitude of the opposition itself shifted significantly beginning Feb. 23. Instead of focussing its wrath on Syria, and blaming Damascus for Hariri's death, the opposition began issuing slogans that raised the question:

*Cui bono?* Who benefits from the murder? Why is Syria being targeted? What international forces might be implicated? At the same time, instead of demanding implementation of UN Resolution 1559, opposition figures were referring to the Taif Accords. The reason for this shift, it was explained, lies in the vast exposure of the role of the U.S. neo-conservatives, in shaping and pushing the policy for Lebanese partition, which the Hariri murder was supposed to trigger.

The exposé, first issued by *EIR*, pointed to the role of the U.S. Committee for a Free Lebanon (USCFL), whose members overlap those who drafted the infamous "Clean Break" doctrine of 1996, under the leadership of Dick Cheney and his stable of neo-cons. (See last week's *EIR*. That exposé was broadcast by the Lebanese satellite TV station, NTV, in an interview with *EIR*, along with documentary material from the USCFL's own publications. The impact was such that opposition figures began to be identified as stooges of the U.S. neo-con faction—certainly no boon to their proclaimed cause of an "independent Lebanon."

Although the moves by Russia and regional forces have upped the ante for the war party in Washington, they have not defeated it. A principled resistance, such as that led by Putin, is crucial, but not sufficient. Escalating even to the brink of World War III will not solve the crisis. What is required is a positive alternative: in effect, overthrowing the entire chessboard, and redefining the rules of the game. This means addressing the global financial-economic dynamic underlying the mad war drive out of Washington, and implementing a new world monetary and economic system, as Lyndon LaRouche has outlined.

# Bush, Schröder, Keep Disagreements Quiet

by Rainer Apel

Despite German Chancellor Gerhard Schröder's open criticism of Bush Administration policies at the Feb. 11-13 "Wehrkunde" conference on Security Policy in Munich (see *EIR*, Feb. 25), the Feb. 23 Bush-Schröder meeting in Mainz seemed to be a mutual public relations affair, aimed at creating the impression that in spite of the differences, there are also some points the two leaders and their administrations have in common. As the German Chancellor revealed at the concluding 20-minute press conference, he and Bush had agreed to no longer mention their differences in public, but

rather talk about subjects on which their views converged.

But these "common" points have very little substance, if their press conference is any indication. Schröder began with remarks on the Kyoto Protocol on global climate change, rather than with strategic matters like Iraq and Iran. And even here, Schröder said that the fundamental differences on the Kyoto issue remain, but that the United States and Germany will try to cooperate on a "pragmatic," or a "technical" level that would not touch any of the basic disagreements.

## No Progress on Substantive Issues

On the Israel-Palestine problem, Schröder said the "Quartet," the joint diplomatic effort of the United States, the UN, Europe, and Russia to achieve a peace agreement between Palestine and Israel, was important, but that the U.S. role was decisive. On Iraq, Schröder said the differences over the war were a thing of the past, and that now the two leaders would look forward to securing a stable and democratic future for the Iraqi nation (which everyone knows is still far away).

And on Iran, the most recent bone of transatlantic contention, Schröder said that there was agreement between the European Union (EU) and the United States that a diplomatic solution should be found, but he could not refer to any concrete sign that the Bush Administration would join the European diplomatic effort with Tehran. It was rather revealing when Bush, in his remarks at the press conference, called the EU talks with Iran a "viable effort," but described that diplomacy as "only just beginning," as if none of the talks between the EU and Iran during the past 12 months had ever taken place.

Although Bush and Schröder conferred for 90 minutes, 15 minutes longer than originally planned, it was obvious that there were not many common points of importance that either of the two leaders could reference at the press conference. It is doubtful that this summit was worth all the public relations efforts invested by both sides, to create the impression that "a new chapter has been opened in U.S.-German relations."



*American military personnel pose with President Bush at the Wiesbaden, Germany, Army Airfield. Bush was in the area for a 90-minute meeting with German Chancellor Gerhard Schröder. No substantive results were announced.*

## Huge Security Measures

The disruptions caused by the one-day summit undermined any public-relations benefits: Security protection measures were unprecedented. The downtown area of Mainz around the Catholic Cathedral, usually a very crowded place, looked as empty as on a gray Sunday morning—even outside the inner summit protection zone, which was guarded by several hundred police and anti-riot units, not including the several hundred members of the Presidential security team that were on site.

The summit protection zone also covered a large part of the region, with highways blocked for most of the day, which forced numerous shops not only in Mainz as such, but also industrial firms in the wider region, like GM'S Opel car-making plant in Rüsselsheim, or the Dyckerhoff cement-producing plant in Wiesbaden, to shut down production the night before.

And about 15,000 residents, on both banks of the Rhine, were affected by special protection measures: No parking of cars or bicycles in the streets of the protection zone was allowed, no garbage containers could be out, people could not walk outside their homes without security checks; it was almost like security at an airport. As was evident in many media interviews, the population of the region—usually rather pro-American in its views because the two German states of Hesse and Rhineland-Palatinate have been centers of U.S. military presence for 50 post-war years—was not amused at the Presidential visit.

## Bush Screened from the Press

In an effort apparently to avoid any critical questions that might disrupt Bush's carefully scripted performance, only two questions each from German and American media were allowed at the press conference. A roundtable meeting that Bush had originally planned with Mainz citizens was called off the day before, because (according to leaks to the media) the German side could not ensure that no nasty questions would be posed to President Bush.

All in all, what can the German Chancellor claim as his summit achievements? The U.S. President and his team may be a bit more jovial in tone than in 2003 or 2004, but in terms of political substance, they have given no indication that the "meaningful transatlantic dialogue" which Bush paid lip service to at the press conference, would also occur in reality. There is no reliable sign that the future will hold fewer surprise proclamations by Bush, and real consultations instead, before the next U.S. decision to act. And the Germans cannot be certain they will be listened to at the Bush-run White House during the next major international crisis, in spite of Bush's saying in Mainz that "good relations with Europe mean good relations with Germany." Nice words, but meaningless ones, unless the Bush Administration really changes policy, from confrontation to cooperation.

# Sharon Talks Peace, But Prepares for War

by Dean Andromidas

The government of Israeli Prime Minister Ariel Sharon on Feb. 20 approved the so-called disengagement plan, thereby setting in motion Israeli military withdrawal from the Gaza Strip, as well as evacuation of all Jewish settlements in Gaza, a process which is to begin July 21. The decision is being hailed as possibly the first step in an overall peace agreement between Israel and the Palestinians.

Meanwhile, anti-government incitement by Israeli right-wing settlers in Gaza has reached its highest level since Sharon first announced the plan to evacuate. On Feb. 14, several thousand settlers held aggressive, at times violent, demonstrations at major highway intersections throughout the country. These demonstrations are reportedly being led by a new extremist organization called the "Jewish Tanzim" (after the Tanzim, the militant youth movement of the Palestinian Fatah organization). The group is secretly led by members of the outlawed Kach Organization, which remains on the U.S. State Department's list of terrorist organizations, as well as by the fascist National Jewish Front, among other organizations. The *Jerusalem Post* of Feb. 16 quoted Kach member Noam Federman as saying that the Jewish Tanzim will be taking over leadership in the fight against disengagement. Previously, leadership lay with the Yesha Council, which represents all the Jewish settlers on the West Bank and the Gaza Strip—but, because it is financed by the establishment, Federman said the Yesha Council cannot handle the fight: "We expect [Yesha] to clear the way for good Jews who can handle a real struggle against these tyrannical laws," referring to disengagement.

Federman and the extreme right wing have been making threats against Israeli politicians, including leaders of Sharon's own Likud Party, like Finance Minister Benjamin Netanyahu, Transport Minister Meir Sheerit, and Sharon himself, with the result that more than 84 officials have been given extra security.

Meanwhile, within the Likud Party, a group of rebels led by former Cabinet ministers Uzi Landau and Natan Sharansky threatens to bring down Sharon's government unless he holds a national referendum on the disengagement.

## Sharon's 'Maskirovka'

Has Sharon become the new Yitzhak Rabin (the Israeli Prime Minister slain in 1995 by a Jewish fanatic because he



Israel,” Sharon is looking to the future, preparing for Israel’s next war, against Syria and/or Iran. His disengagement plan is the *Maskirovka* to cover his war plans. A withdrawal from Gaza, if it ever takes place, will serve to shorten his lines of communication for a future war. His Wall will protect Israel and most of the West Bank settlements from the social explosion that would occur in the Palestinian territories if Sharon were to launch war against Syria or Iran.

With the Feb. 14 assassination of former Lebanese Prime Minister Rafik Hariri, Syria is in the gunsights of the Bush Administration, more squarely than ever. Sharon is preparing to become the possible instrument of any attack that might result.

### The Purges

The development that most dramatically underscores Sharon’s war intentions, is the purge of the top echelon of the Israeli security establishment. On

*Israeli Prime Minister Ariel Sharon greets U.S. Secretary of State Condoleezza Rice in Jerusalem on Feb. 6. Sharon is consolidating Israel’s military and security forces under his control, as a preface to war against Syria or Iran.*

had signed the Oslo Accords)? Hardly. Amidst all the turmoil, and not so far beneath the surface, there is another process under way.

Sharon is preparing for the next war.

The same Cabinet meeting that approved the Gaza withdrawal, also approved the new route for Sharon’s “separation wall,” which now includes in Israeli territory the very large settlements of Gush Etzion and Ma’aleh Adumin. Sharon also ordered a further expansion of the Wall to include the settlements of Ariel (which extends deep into the West Bank), Beit Aryah, and Ofarim. With these additions, the route of the Wall will mean Israel is grabbing over 10% of the West Bank, not including the land occupied by Jewish settlements on the Palestinian side of the Wall. If Sharon’s new government of national unity (with the Labor Party in the ruling coalition with Likud), is really preparing for peace, why extend the Wall, which will cost well over a billion dollars when its first stage is completed?

Although Sharon promised Palestinian President Abu Mazen (Mahmoud Abbas) that the Israeli Defense Forces (IDF) will begin turning over control of West Bank cities to the Palestinian security forces, so far not one city has been transferred, because Sharon refuses to lift the state of siege that is maintained around the cities, by removing the checkpoints that stand at the entrances to the cities.

This is all part of the *Maskirovka* of Sharon’s so-called disengagement plan (*Maskirovka* was the Russian name for Soviet-era deception operations). Unlike the Jewish Tanzim and the other fanatics who cannot see beyond the “land of

Feb. 16, some 48 hours after the Hariri assassination, Sharon and his hardline Minister of Defense, Shaul Mofaz, announced that the term of service of the current Chief of Staff, Gen. Moshe Ya’alon, which expires July 9, will not be extended the customary six months to a year. The announcement, seen as an “ouster” by several senior General Staff officers, took the political and military establishment by surprise, since it is in July that the disengagement and evacuation of the settlers from Gaza is to begin, and since Ya’alon has been involved in the planning. His departure is seen by many as jeopardizing the whole operation.

Sharon has put out the word that Ya’alon opposed the disengagement, a charge widely seen as groundless. In any case, the Feb. 23 announcement of the choice to replace him—Gen. Dan Halutz, currently Deputy Chief of Staff—should leave no doubt that Sharon is readying his next war. Pressure has been put on Ya’alon to retire even earlier than the official date of July 9, so Halutz can take command early and settle into his new post—and, not coincidentally, help push through a number of new Sharon military and security appointments, as we discuss below. Indeed, as of Feb. 25, the *Jerusalem Post* was reporting that Ya’alon would step down in May, to make way for Halutz.

Halutz is better known as “bomber Halutz”: As commander of the Israeli Air Force, he ordered the dropping of a one-ton bomb on a house in Gaza filled with children, in order to kill one Hamas leader. Fourteen children died. In an interview at the time, Halutz said the only thing he “feels” when he drops a bomb is a little jerk in the aircraft. Halutz is



particularly a hardliner when it comes to Iran and Syria. He is personally very close to the Sharon family, including Ariel and his son Omri, who serves as his father's top political advisor.

An Israeli Air Force Reserve officer who knows Halutz personally called his appointment a "disaster"—to have as Chief of Staff a man with his "perception of using force is frightening," and, contrary to what others might say, "He will do exactly what Sharon expects him to do."

A similar comment came from Yossi Sarid of the peace activist Yahad Party; Sarid, a journalist and member of the Knesset (parliament), said of what is, in effect, the cashiering of Ya'alon, that "the Defense Minister's timing for the decision is more than peculiar and raises suspicions and fears."

Sarid is right. Although Ya'alon has acted brutally against the Palestinians, he nonetheless often criticized Sharon's policies. Last year he stated that Sharon's government should have cooperated with Abu Mazen, who as Palestinian Prime Minister had arranged a cease-fire with Hamas and other militant groups. Ya'alon also urged that Israel take up offers for peace talks proposed by Syrian President Bashar Assad. He went so far as to say that if Israel returned the Golan Heights to Syria in the context of a peace agreement, Israel would still be militarily defensible.

Halutz is the first Air Force general to become Chief of Staff, and will take command at a time when the bulk of Israel's 100 new F-16Is will have been delivered. These aircraft, the most sophisticated F-16s in commission anywhere in the world, are capable of flying long distances. They will complement Israel's new and even more powerful F-15I, which can carry out bombing runs over Iran without having to refuel.

## A General Staff for a New War

Sharon's claim that Ya'alon had to go because he opposed the disengagement is not only specious—the reality is that over his term of office, Ya'alon systematically blocked Sharon's attempt to put his own loyalists in key positions in the military/security establishment. With Ya'alon out of the way, Sharon can consolidate control over the military and security.

In July, new commanders will be named for the three most crucial commands for any war against Syria: the Northern Command along the Lebanese-Syrian border, the Ground Forces commander, and a new commander for Military Intelligence. With Halutz moving up, a new Deputy Chief of Staff will have to be chosen. Other Sharon favorites are expected to be promoted, including Maj. Gen. Yoav Kaplinsky, who could become Deputy Chief of Staff and heir apparent to Halutz, or could get the equally important Military Intelligence posting. When Sharon became Prime Minister, Kaplinsky served as his military liaison officer, thereby becoming Sharon's key contact man with the Bush White House and the Pentagon neo-conservatives. Three years ago, Sharon

wanted Kaplinsky to take command of Military Intelligence, but was blocked by Ya'alon. Two of Sharon's other former military liaisons, Maj. Gen. Yoav Galant and Gen. Eival Galidi, are expected to move into key positions.

In the Israeli military security system, the chiefs of the Shin Bet internal security service and the Mossad foreign security service sit at the table with the IDF General Staff. On Feb. 10, Sharon announced the naming of Yuval Diskin as new Shin Bet director. Another Sharon favorite, and the architect of Israel's targeted assassination policy, he coordinated no fewer than 200 such operations. Since many of these assassinations were carried out by helicopter gunships and F-16 fighter bombers, Diskin cooperated closely with Halutz when the latter was commander of the Air Force.

According to a article by Yossi Melman in the Israeli daily *Ha'aretz* of Feb. 17, prior to his appointment as Shin Bet director, Diskin served in a sort of kitchen cabinet of unofficial advisors to Sharon flunky and mass murderer Meir Dagan, chief of the Mossad. Diskin aided Dagan in the latter's efforts to turn the Mossad into a Murder, Inc. that would concentrate on special operations against particularly Iran, Syria, and Lebanon.

Another member of this kitchen cabinet is Gen. (res.) Amiram Levine, who had been named Deputy Director of the Mossad in 1997 by then-Prime Minister Benjamin Netanyahu. Like Dagan, Levine is a wild man. In 1993, when Levine was operational commander of the Northern Command, then-Prime Minister Yitzhak Rabin criticized him for escalating tensions along the border at a time when Rabin was trying to engage the Syrians in peace negotiations. Three years later, in 1996, Levine was responsible for the Qana massacre, in which Israeli artillery shells hit a position near a United Nations post that had become a temporary refugee camp. Over 100 men, women, and children were killed. Levine ignored reports from Israeli Military Intelligence warning of the presence of 800 civilians. (The commander of Military Intelligence at the time was Gen. Moshe Ya'alon.)

As operational commander of the Northern Command in the early 1990s, Levine founded the "Egoz Unit," a hunter-killer squad which tracked down Hezbollah militants in southern Lebanon. Although vicious, with two "successful" assassination-scalps hanging from his belt, one in Lebanon and one in Syria, Levine is not especially competent; not long ago, his cell phone, with all his secret telephone numbers, was stolen out of his car, where he had left it overnight.

In any case, by the end of the Summer, all of the top commanders of Israel's military/security establishment will have been handpicked by Sharon, and ready to follow him into war. Even if Sharon's government falls in the course of the next months—which is a real possibility—the appointments which will set the tone for the Israeli military/security establishment, have been made and will be in place for the next three to four years. To undo them would require a very strong leader indeed, and no such figure is on the horizon.

# *Bush in Europe: He Came, He Saw, He Didn't Conquer*

An astute editorial cartoonist might sum up the just-concluded George Bush tour of Europe by drawing a perplexed European, waving goodbye to Air Force One, musing, "What was that all about?" A more honest cartoon might also have a sign affixed to Air Force One: "White Trash Removal." That probably comes closer to the real thinking among leading Europeans, in the wake of the Bush visit.

Yes, the President made at least a passing gesture at superficial cordiality towards his Iraq war political adversaries, German Chancellor Gerhard Schröder and French President Jacques Chirac, in his one-on-one meetings. And Secretary of Defense Donald Rumsfeld had delivered a scripted comment, on the eve of the Bush visit, when asked about his vicious earlier attacks on "Old Europe," that that was "Old Rumsfeld."

But looking past the superficiality, what really happened? In Secretary of State Condoleezza Rice's advance visit to European capitals, she made it clear that the United States is not prepared to join the Europeans and Russians in the negotiations with Iran over its nuclear energy program. And the President, using the very best Bushspeak, told one inquiring reporter, in the same breath, that the United States is interested in a diplomatic solution to the so-called Iran crisis, but, having said that, "no option is off the table." And in the meantime, American Air Force drones and combat jets continue to violate Iranian air space, and U.S. Special Forces teams, perhaps joined by Israeli commandos, are preparing sabotage operations, targetting a score of purported Iranian military research sites.

In his summit meeting in Bratislava, Slovakia with Russian President Vladimir Putin, President Bush clearly angered some of his right-wing and neo-conservative friends, when he failed to really confront the Russian leader on "the democracy thing." But again, it was all atmospheric, and a total evasion of the issues really on the mind of the Russian leader, such as the string of Anglo-American backed "rainbow revolu-

tions," targetting Russia's "near abroad," from Georgia, to Ukraine, to the next string of states encircling Russia, such as Moldova, Armenia, and Belarus.

The problem, overall, is that it is actually impossible to derive any clear notion of the policy goals of the second Bush Administration from the words that come out of the mouth of George W. Bush. Despite the President's New England patrician family pedigree, his Yale and Harvard educations, the fact is: George Bush has adopted the personality traits of a Southern white trash sadist. It came out a few times, visibly, during his European tour.

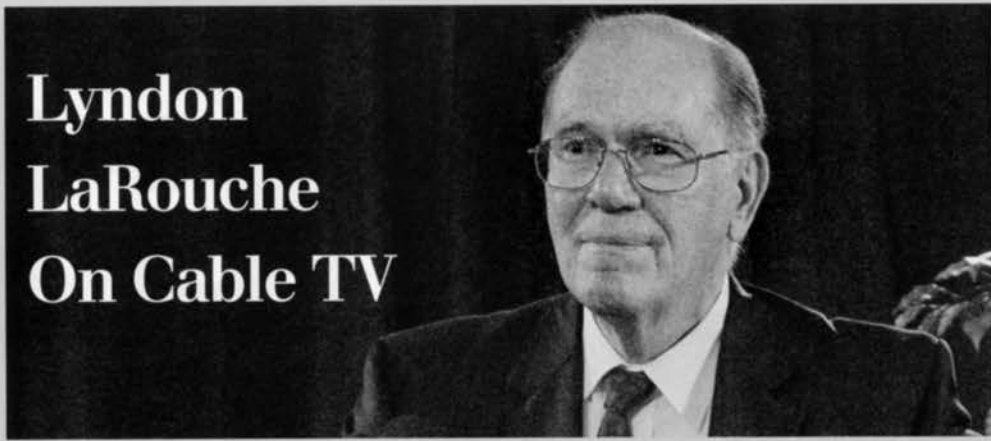
George Bush is playing a scripted role. He is managed by handlers. If you want to know about Bush Administration policy intentions, ask George Shultz or ask Dick Cheney. Don't expect them to tell you the truth either. But above all else, don't attempt to burden George Bush with any accountability for what comes out of his mouth.

Instead of trying to derive a coherent evaluation from Bush's utterings, attempt to engage in what Leibniz called *analysis situs*. By the best estimates, the United States dollar is propped up by a net inflow from abroad of nearly \$4 billion a day. These funds go into the purchase of stocks and bonds, and do not contribute one iota to real economic expansion, job creation, etc. But if those funds dry up, then the whole dollar-based floating-exchange-rate system collapses.

People like George Shultz and Federal Reserve Board Chairman Alan Greenspan know this. Shultz, the "Hjalmar Schacht" of the late 20th-early 21st Century, has a simple solution: Spread war and chaos around the globe. For the time being, George Bush is Shultz's perfect instrument for this policy, from Iran and Syria in the Southwest Asia, to North Korea and China in the Far East. As the system comes close to the explosion point, the impulse to war provocations grows exponentially.

That is the reality of the world, at the close of Bush's European adventure.

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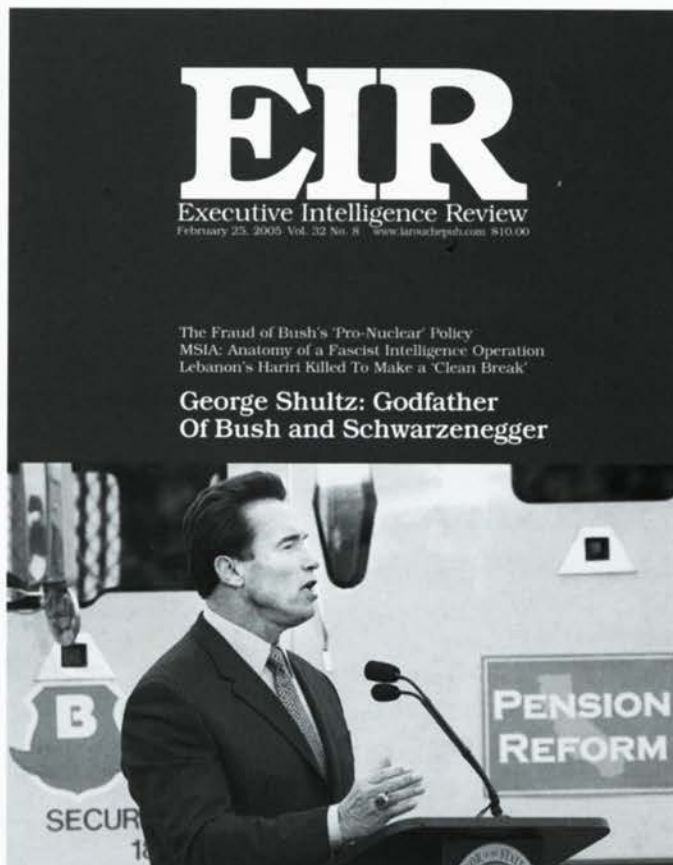
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