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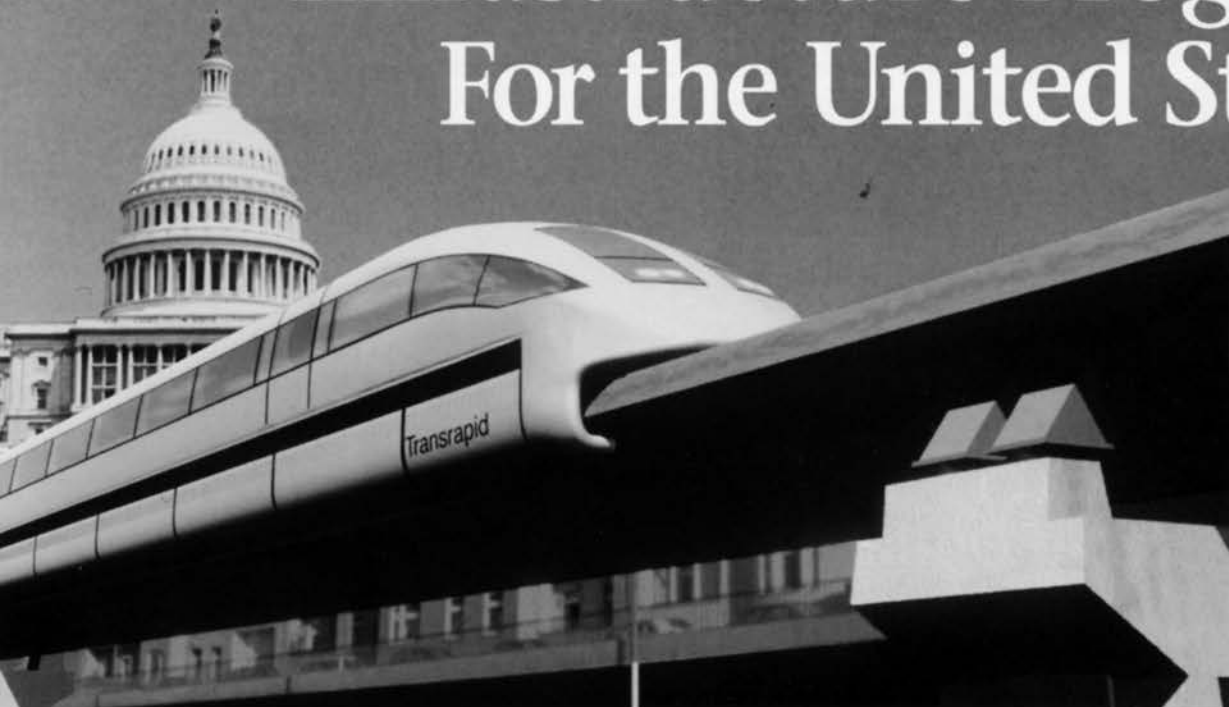
Soaring Commodity Prices Show Systemic Threat  
Bush Administration's Lebanon Ploy Is Backfiring  
Growth Policy Would Ensure Social Security Funds

## World on the Verge Of a Dollar Crash



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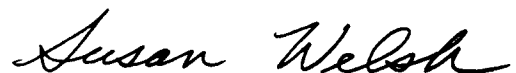
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## From the Associate Editor

**T**he battle against Social Security privatization in the United States is the crucial international flank for the defeat of fascism. But as this week's issue makes very clear, that battle cannot be won in its own terms alone. The town meetings by Democratic Senators and Congressmen, the AFL-CIO, AARP, and others, to outflank the megabucks propaganda campaign by Team Bush-Cheney, are useful and necessary. But the indispensable ingredient, which only the LaRouche movement supplies, is to situate this fight within the strategic context of the *global financial-economic breakdown crisis*. Only a bankruptcy reorganization, stabilizing the dollar while wiping out trillions of dollars worth of purely speculative paper, and returning to a fixed-exchange-rate system modelled on Franklin Roosevelt's Bretton Woods system, can actually restore economic health. Exactly this proposition is now scheduled for debate in the Italian House of Representatives (see page 13).

Jeffrey Steinberg presents the overview in our *Strategic Analysis*. In *Economics*, we publish the foreword to Lyndon LaRouche's new book, *The Earth's Next Fifty Years*. Our reporters further develop the picture: the stratospheric rise of commodity prices, as the "smart money" moves out of the dollar; the impending bankruptcy of the auto sector; and an analysis of the fatal axiomatic flaws propounded by those who insist that Social Security is "like the *Titanic* heading for an iceberg." In fact, with a growth policy even close to that LaRouche has demanded, Social Security will face no problems whatsoever. See also the short, pungent fact sheet on the failure of the Chile Model of pension privatization, on page 29.

In foreign and military affairs, the Bush-Cheney policy is running into increasingly significant opposition. We have exclusive stories on the factional alignment in Lebanon; the Italian government and intelligence services' reaction to the killing of SISMI agent and hostage-rescuer Nicola Calipari by U.S. troops in Iraq (we have an interview with former SISMI head Luigi Ramponi, now a parliamentary deputy); and in the United States, the effort by Congressmen, retired military, and others, to defeat those who would cover up and justify Pentagon war crimes.



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## World on the Verge Of a Dollar Crash

by Jeffrey Steinberg

Lyndon LaRouche announced on March 9, based on a breaking pattern of developments, that, in his judgment, the world is now on the verge of a collapse of the entire dollar-based post-Bretton Woods floating-exchange-rate system. This does not guarantee the immediate crash of the dollar, and the evaporation of the entire global financial superstructure. It does mean that governments around the world, particularly the United States government, must be prepared to act, to avert an otherwise inescapable crisis at some point in the very near future.

It also means, LaRouche warned, that some circles in the financial oligarchy, typified by hard-core Anglo-Dutch operatives like George P. Shultz and Federal Reserve Chairman Alan Greenspan, will be tempted to move for immediate Schachtian austerity measures, and war provocations, as a means of blocking so much as a serious discussion about what former President Bill Clinton referred to as a “new global financial architecture,” replacing the broken-down and hopelessly bankrupt current system. Since January 1997, LaRouche has been demanding the convening of a New Bretton Woods Conference, to restore the fixed-exchange-rate system, following an orderly bankruptcy reorganization of the global financial system. This, LaRouche argues, is the precondition for the massive emission of government credits required for long-term infrastructure projects, such as his Eurasian Land-Bridge.

As LaRouche emphasized in the foreword to a soon-to-be-released book, *The Earth's Next Fifty Years*, the collapse of the dollar system is not something that is about to happen. It is already under way. Metaphorically, the gasoline has already saturated the floor. We are merely awaiting the spark, which could come in any one of a number of forms. Events of early March, in LaRouche's estimation, signaled a density

of such potential sparks.

In response, LaRouche warned, governments in the Americas and Eurasia must be prepared to abandon the false axiomatic assumptions that have plagued policymakers for the past 30 years or more—since the abandonment (by Shultz and President Nixon in 1971) of Franklin Roosevelt's Bretton Woods System of fixed exchange rates, pegged to a monetized value of gold. Until and unless the axioms of what is euphemistically called “globalization” are abandoned, the prospects of averting a plunge into a multi-generational new dark age are bleak.

### The Warning Signs

Since the late January 2005 convening of the Davos, Switzerland World Economic Forum, a growing number of leading financial analysts and financial periodicals have abandoned the “see no evil” policy of ignoring the warning signs of a global financial meltdown, and have begun openly discussing a systemic collapse. Prominent figures like Stephen Roach, the chief economist of Morgan Stanley, pilloried Federal Reserve Chairman Greenspan in public at Davos, accusing him of presiding over the biggest mortgage and consumer credit bubble ever. A week after Davos, former U.S. Treasury Secretary Robert Rubin, at a London forum preceeding the Group of Eight meeting of finance ministers and central bankers, directly took on Greenspan for lying about the magnitude of the dollar crisis, when he (Greenspan) claimed that the United States could continue to sustain massive current account deficits and Federal budget deficits. In meetings with Senate Democrats the day before his confrontation with Greenspan, Rubin had warned that the Bush Administration's campaign to loot the Social Security Trust Fund for “private accounts” managed by big Wall Street brokerage houses, was

driven by the fear of a financial meltdown, perhaps caused by a drying up of foreign investment flows into the United States.

There was some dispute among academic economists at Davos about the amount of net foreign inflows into the U.S. bond and equity market per day that are required to avert a crash of the dollar. The bottom line figure is \$2.5 billion per day, but some economists, like C. Fred Bergsten, say the figure is really now at nearly \$5 billion a day.

Hence, there was panic on Wall Street when officials of the South Korean government in early March hinted that they were considering diversifying their foreign currency holdings. On March 10, the alarm bells rang again, when Japanese Prime Minister Koizumi made similar statements about Japan's plans to diversify. The dollar immediately fell to a two-month low against the euro, until Japan's Finance Minister Tanigaki stepped in to assure panicked investors that Japan would not take any precipitous measures, "because the impact would be big."

Mega-speculator Warren Buffett, of Berkshire Hathaway, released his annual shareholders letter in early March, revealing that his firm had posted significant fourth quarter profits by short-selling the dollar, and investing heavily in foreign currencies.

### **It's The Real Economy, Stupid**

But the real heart of the collapse threat lies elsewhere: The U.S. economy, once the greatest agro-industrial economy in the world, has disintegrated; and the role of the dollar as the world's reserve currency has been decimated by that fact. Now, as LaRouche emphasized, we are facing an imminent bankruptcy of General Motors, one of the most formidable of the former American industrial giants. On March 10, the London *Financial Times* warned that international bond markets may not be able to cushion the shock of an anticipated downgrading of GM's debt to junk-bond status. The likely trigger for such a move by rating agencies is the anticipated bankruptcy filing of Delphi, GM's parts supplier, which was spun out of General Motors several years ago, as a means of driving down wages, and generating new inflows of cash. "The edge of the cliff appears to be drawing closer," the *Financial Times* reported. "If GM loses its investment grade rating, some holders of its bonds will be forced [by law and regulation, as well as fiduciary responsibility] to sell them—and it is the extent of any market upheaval this could cause, that has been unnerving many." The Swiss daily *Neue Zürcher Zeitung* added, the same day, that GM will have between \$45-50 billion in debt to refinance between now and the end of 2006, and "it is unlikely that the junk-bond market could absorb such a large issuer."

Adding to the picture of the physical economic breakdown of the United States, the American Society of Civil Engineers, on March 9, released their 2005 "Report Card for America's Infrastructure." The report found, not surprisingly, that the entire hard infrastructure of the country is in a state

of disintegration, requiring trillions of dollars in investment. ASCE President William Henry told a Washington, D.C. press conference that the "time has come to call for the creation of a long-term infrastructure agenda for our nation," warning, "our infrastructure is sliding towards failure."

### **Raw Material Costs Soar**

Another major sign of a world economy gone haywire is the soaring costs of strategic raw materials, fueled by a merger frenzy among commodity cartels, and a mad grab for control over the planet's raw material wealth, in anticipation of a dollar meltdown.

On March 9, the price per barrel of crude oil rose above \$55, nearly matching the all-time high of seven months ago. The same day, the Energy Information Administration issued a forecast that gasoline prices at the pump would continue to skyrocket, projecting a \$2.15 per gallon price for regular gas by the Summer.

Overall commodity inflation, particularly of key industrial metals like iron ore, skyrocketed. According to the March 10 *Wall Street Journal*, iron ore prices went up in mid-February by 71.5%. This was largely due to price gouging by the three iron ore mining cartels that control 75% of the world supply: Brazil's CVRD, Rio Tinto Zinc PLC, and BHP Billiton, Ltd.

### **Housing Bubble About to Blow?**

Adding to the picture LaRouche developed is the sudden boost in long-term interest rates. During the first week in March, when the U.S. Treasury Department auctioned off ten-year Treasury bonds, which set the nation's mortgage rates, there were so few buyers that yields shot up to 4.42%, a seven-month high. A senior City of London investor, commenting on the jump in long-term Treasury yields in a March 10 discussion with *EIR*, warned, "If bond yields go up much higher in the U.S., things could get very nasty soon." He asked, "Is there any more capacity to take on this level of borrowing? I think not, and it will break probably sooner, rather than later." Disturbances in the ten-year bond market, he noted, directly impact on home mortgage rates; and most Americans have used their ballooning property values to sink deeper into consumer debt. "When this breaks," the source concluded, "it will get very nasty, and not too long from now."

The Bush Administration is continuing blissfully ignorant of this looming "perfect storm." And that is yet another dimension of the problem.

In the pages that follow, you will find in-depth reportage and analysis of some of these looming crises, and the response by the Bush Administration: to move recklessly forward on their agenda of Jacobin "democratic" insurrections in Central Europe and Southwest Asia, and a drive to steal the Social Security Trust Fund, as the cushion against sudden death of a dollar-based world monetary system that is looking more and more like a financial "Hoover Dam" set to crack.

## Soaring Commodity Prices Show Threat to Dollar System

by Lothar Komp

More than three decades after President Nixon dismantled the Bretton Woods monetary order, global financial markets are in an untenable situation. At the heart of the issue is the U.S. dollar, still the most important reserve currency in the world. The dollar is the currency upon which the interest rates of hundreds of billions of dollars worth of loans, mortgage credits, and financial derivatives are pegged, and with which practically all raw material purchases are transacted.

The transformation of the United States from a prominent industrial nation, into a consumer society dependent on foreign manufacturers, has triggered an unprecedented flood of U.S. currency into Asian central banks. As a result of the enormous quantities of American debt holdings which accumulated in foreign countries, by virtue of export surpluses and foreign exchange market interventions abroad, merely a press release expressing market fears, by an official in Japan, South Korea, or China, is enough to make the dollar's tumble continue.

Additional turbulence results from the highly inflationary blow-up in the raw materials markets. Over the course of time, these markets have fallen almost completely under the control of private, speculative interests. As a result of central banks pumping liquidity into the financial system, and the control of raw commodity prices by futures exchanges in London and New York, the prices for a wide spectrum of raw materials—from crude oil to copper and iron ore—have been forced to stratospheric levels.

On March 8, the Reuters CRB index (Commodity Research Bureau), which covers 17 of the most important raw materials, stood at its highest level in more than 24 years. In February alone, the index rose around 7.1%, more than in any other month in the last 21 years. The copper prices at the London Metal Exchange (LME) shot to a 19-year high on

March 8. On the same day, the price of oil, which only six years ago stood at \$10 per barrel, again broke through \$55-mark. Simultaneously, the currencies of raw-material-rich countries such as Australia, Canada, and South Africa rose to several-year highs in relation to the U.S. dollar. A good measure of the disintegration of dollar's worth is the price of gold, which on March 8 rose \$6, to \$440 per fine ounce. Two days later, the former Australian prime minister Paul Keating warned of preparing for a "catastrophic crash" of the dollar and the outbreak of a "panic."

The disintegration of the global financial system has already progressed too far for any quick fix to correct it. The only solution exists in the New Bretton Woods, which would not only re-establish currency regulations, as demanded by LaRouche, but in addition, introduce bankruptcy procedures for existing financial commitments, and align financial markets in accordance with the principle of the general welfare. The longer this one promising solution is postponed, the larger the damage to the economies of the world. As a result of the effects of the raw materials price hikes this now becomes clear.

### Commodity Prices Explode

The steel industry world-wide is groaning under the load of the prices for iron ore, coking coal, and scrap iron, each of which have risen dramatically. The delivery prices for coking coal quadrupled in the last two years. Formerly prominent coke producers, such as Germany, recently eliminated their own capacities, because the steel enterprises believed they could supply themselves in the future with cheaper imported coal. There is no actual physical scarcity of iron ore. The well-known ore sites in Australia, South Africa, Latin America, and Russia are enormous and have sufficient supply to last



for many decades. However, already in the last year the ore prices rose significantly. On February 23, the two controlling iron ore producers—the Brazilian Companhia Vale DO Rio Doce (CVRD) and the British-Australian group of mining industries of Rio Tinto—delivered a shock with the announcement of a 71.5% price increase for their ore supplies to the large steel enterprises of Japan, South Korea, and China. The steel companies were forced to accept the hike. These agreements serve as a guide for all future contracts over ore supplies world-wide.

This year, steel enterprises will be forced to raise their prices again by approximately 50%. Again the automobile sector and many other industrial sectors, including machine-tool production, are under pressure. As a result, the Federal Association of German industry (BDI) organized a raw materials crisis summit in Berlin on March 8. Hundreds of thousands of industrial-sector jobs are at stake. Even the German chancellor showed up at the event, but could offer no convincing solutions.

Several other raw materials besides iron ore are urgently needed by the physical economy, but like iron ore, these world-wide resources in each case are controlled by a small group of powerful trusts. Approximately 10 years ago, *EIR* published an investigation, which pointed out in detail that more than 50% of the production of nearly all raw materials was in the hand of enterprises, all of whom had settled in the territory of the former British Empire. Since then only a few have changed. The three largest mining industry companies in the world today are: the British-South African group of Anglo-American, the British-Australian BHP Billiton, and the British-Australian Rio Tinto. All three enterprises have dozens of holdings in an assortment of mining industry projects around the globe. Rio Tinto, for example, is the second-largest producer of iron ore and coal, the third-biggest uranium and diamond producer, the fourth-largest copper producer, and the sixth-largest manufacturer of aluminum in the world.

Anglo American, which was founded by the Oppenheimer family of South African in 1917, first specialized in the production of gold, platinum, diamonds, and copper in southern Africa. However, since the mid-1990s, Anglo American has additionally expanded outside of Africa, and currently maintains, among other things, nickel and zinc mining industry in Venezuela, copper mining industry in Chile, and coal mines in Colombia. In 2001, Anglo American, together with the Oppenheimer family, seized the majority stockholdings (60%) in the diamond company De Beers.

In the same year the Australian mining industry group, BHP, purchased the British firm Billiton. Today, the world-wide activities of BHP Billiton cover the following raw material sectors: Copper in Argentina, Peru, Chile, and the U.S.A.; Aluminum in South Africa, Mozambique, Surinam, and Australia; Gold in Argentina; Lead in Australia, Canada, and South Africa; Coal in Colombia, the U.S.A., Australia, Indonesia, and South Africa; Nickel in Colombia, Indonesia,

and Australia; Iron ore in Australia and Brazil; Bauxite in Australia, Brazil, and Surinam; Manganese in Australia and South Africa; Chrome in South Africa; Diamonds in Canada; Cobalt in Australia and Colombia; Zinc in Australia, Canada, and South Africa. On March 7, BHP Billiton issued a takeover bid for the Australian mining industry enterprise WMC Resources. WMC controls enormous reserves of raw materials in the Olympic Dam mine. It's common knowledge that this mine contains a third of the world's uranium reserves. In addition, WMC owned the fourth-largest reserves of copper and gold, and is the fifth-largest nickel producer world-wide.

Control of the physical production of raw materials by a small number of private financial conglomerates is a troubling development. However, raising of the price of industrial consumption to excessively high levels, requires another element: the creation of futures exchanges, with which banks, speculative funds, and other financial investors determine the price of commodities in a very obscure manner. For example, the price of two-thirds of the world's available crude oil is determined by the speculative bets placed on the International Petroleum Exchange in London, and a handful of other so-called spot markets whose activities make entirely no sense to outsiders. The only oil, which comes in the proximity of the so-called market, is the British North Sea oil, Brent Crude. And because British North Sea oil is on the decline, the volume it delivers amounts only to an extremely small portion of total world-wide oil production.

## **Governments Must Act**

As long as private financial interests can arbitrarily manipulate the prices for industrial raw materials of all kinds, the long-term development of national economies remains threatened in a fundamental way. This applies particularly to densely populated countries such as China and India, with their potentially enormous demand for industrial goods. China has long been the largest steel producer of the world, and currently consumes a third of world-wide iron ore production. But the per-capita consumption of steel in China amounts to only 200 kilograms per year, compared with 600 kg in Japan and 1,000 kg in South Korea.

No less important is long-term raw material security for advanced industrialized countries such as Germany.

In his published 50-year-plan for the development of the planet, and through an *EIR* seminar in Berlin in the middle of January, Lyndon LaRouche stressed that governments must use their power, in order to prevent control of raw materials by private financial interests: "Therefore, we need an agreement between nations, which states that it is in the interest of the whole earth, with regard to the use of our natural resources, that the needs of the general welfare come before those of private interest. Private interests are permitted, but must be subject to regulations. These regulations must guarantee that each country receives sufficient access to raw materials, which are necessary for its people and their development."

# Economy and Ideas

by Lyndon H. LaRouche, Jr.

*The following is the foreword to the forthcoming book The Earth's Next Fifty Years, to be issued by LaRouche PAC.*

February 28, 2005

The Spring 2000 collapse of Alan Greenspan's "IT" financial-derivatives bubble of the 1990s, set the stage for the immediate onset of what has been the George W. Bush Administration's accelerating, 2001-2005, general economic breakdown-crisis of the world's monetary-financial system. This breakdown is not something which might happen, or soon will happen. It has been happening already, that at an accelerating rate, every day President George W. Bush, Jr. has remained in office. The end will come when the Bush trolley soon reaches the end of the line.

The five pieces comprising the following pages of this volume summarize both the interrelated deep causes, and the essential replacement for the inevitably doomed present world monetary-financial system.

The first lesson which must now be drawn from that experience, is that there is no way in which the world monetary-financial system set into motion during 1971-1975, can now be continued much further. In other words, there is no way in which the kind of thinking which is dominant among leading business and political circles of the world, even still today, would not lead the world as a whole, very soon, into a hopeless situation.

The solutions which are reflected in the five papers of which this report is comprised, are based on what has been known since the late Eighteenth Century as the American System of political-economy, as U.S. President Franklin Roosevelt's Bretton Woods monetary system and other 1933-1945 U.S. reforms typify the contrast between the American System and that Anglo-Dutch Liberal system which has dominated the world increasingly, up to the present moment of writing, during most of history since the relevant Paris Treaty of February 1763, and, but for a brief period of post-World War II world leadership, until the wrecking of President Franklin Roosevelt's Bretton Woods system.

To put the point in other terms: Any effort to force the world to submit to the kind of economic-policy-thinking which has ruled the world since 1971-1975, the kind of policy-thinking which dominates Europe under the European Union's system of today, will lead the world quickly into the worst economic catastrophe in modern world history. Without a decision to break the world free of the kind of thinking

which rules the present world monetary-financial system, the onrushing break-up of the present system would lead, quickly and inevitably, into a prolonged, planet-wide, new dark age for all humanity. It would be a new dark age like that which occurred during Europe's Fourteenth Century, but, this time, global and more prolonged. Any disagreement with that forecast, is a delusion.

That is the real, deeper issue immediately confronting each and all of the world's governments and populations, especially those of the U.S.A. Our U.S.A.'s decisions in this matter will probably be of crucial importance for leading the world out of the immediate danger this present crisis already represents for mankind as a whole.

The facts of the matter are stated, essentially, in the body of this book. However, although my argument there is factually irrefutable, the minds of most readers will struggle stubbornly to cling to those old habits of thinking which have already led the world down to the present precipice. "Yes, but . . .," "Yes, but . . .," they will say, and say, and say, all in the effort to prevent themselves from making the needed decision to break now from the mental habits which are leading them, like legendary lemmings, into the destruction of civilization generally. For many, those mental habits are more precious than the survival of their nation, even civilization.

Therefore, I take this opportunity to underline the origins and nature of the kind of popular mental disorder which is responsible for leading the government and majority of the population of the U.S.A., and other nations, into this onrushing catastrophe. The name of this most crucial issue is prevalent ignorance of *the nature of human individual creativity* among most of the U.S. and European populations today. Simply restated: The problem to be overcome, is that most people, including most leading figures in government and universities of the U.S.A. and Europe today, may use the term "creativity" in many ways; they claim to admire that word greatly, but, usually, they do not know what "human individual creativity" actually is.

I have defined such creativity and its role within the course of the five indicated elements republished in this book. Now, in these prefatory remarks, I must add something crucial for the book as a whole.

## 'Human Creativity'

The term "creativity" appears in European economic thought as the *Promethean* principle: the discovery and knowledge of use of universal physical principles by man to the effect of increasing mankind's potential relative population-density, and per-capita net physical output, per square kilometer of land-area. This notion appears, in a negative form, in the Olympian Zeus's forbidding knowledge of creativity from being transmitted to man. It appears, again in a negative form, in the history of the southern states of the U.S.A. in both the banning of literacy among slaves, and in the post-Civil War practice of not educating the descendants



Lyndon LaRouche with members of his youth movement. "To reach the goal of promoting the moral-intellectual adulthood of society," he writes, "youth, such as the members of the LaRouche Youth Movement, must prepare themselves by experiencing the youthful foundations of the greatest creative achievements of society's earlier history."

of slaves above the requirements of the kind of relatively debased forms of employment intended for them. It is reflected in the policy of "globalization" which has transformed the U.S. into a ruined, "post-industrial" scrap-heap. This same effort to eradicate creativity from our people today occurs in such forms as President George W. Bush's "No Child Left Behind."<sup>1</sup>

The rescue of the economy will not occur without a return to a policy of replacing the business of giant financial swindles such as Enron, by investing in promoting genuine individual scientific and related creativity. Without returning the U.S. to its leading commitment to infrastructure-building, agro-industrial leadership of forty years ago, there is presently no hope for the continued existence of this republic. This rebuilding will require an included return to the goals of education we practiced in our relatively best schools and universities at the time we put men on the Moon. Therefore, you must now learn quickly what President George W. Bush will probably never understand, the meaning of actual creativity. Be patient as I explain what I mean; I explain as simply as the subject itself permits. I explain as follows.

The first known scientific definition of this urgently needed quality of creativity which we meet in studying the history of European culture, appeared in extended ancient Greek culture as the notion of the discovery of *powers* (*dynamis*). This notion, as met in the work of Thales, the Pythagoreans, and Plato, was attributed by them to their teachers, the Egyptian astronomers whose principled work was known

to the Greeks as *Sphaerics*.<sup>2</sup> So, similarly, Johannes Kepler's uniquely original discovery and development of the principle of universal gravitation, is a crucially important modern example of this notion of creativity.

Creativity means the discovery and use of powers by means of which mankind is able to increase the number and quality of life of the members of a society, as no species of animal could do anything like this.

This notion of *powers* known to the pre-Aristotle Classical Greeks, was revived as a social policy of modern European civilization, during the Fifteenth-Century Renaissance, by Cardinal Nicholas of Cusa, whose direct followers include such notables as Leonardo da Vinci and Kepler. This Classical Greek notion of *powers* was used by Gottfried Leibniz, who based his founding of the science of physical economy on the this notion of a universal physical principle (*Kraft*). The modern mathematical-physics use of the term was introduced by Leibniz in his uniquely original definitions of an infinitesimal calculus and of natural logarithms under the heading of *a universal physical principle of least action*. The further development of Leibniz's principle of least action is traced from Carl Gauss's 1799 doctoral dissertation, in which he attacked the central principled errors of the ideological fanatics D'Alembert, Euler, and Lagrange on the calculus.<sup>3</sup>

This same line of investigation was continued in collaboration with several of Gauss's relevant leading contemporar-

1. Like the hateful Pied Piper of Hamelin, Bush's educational policies leave no child behind. The notorious "My Pet Goat" is a model of those Bush policies for education.

2. This implies a spherical physical geometry, as opposed to a Euclidean or Cartesian geometry, as the primary form of the mathematics employed by those Egyptians and their ancient Greek followers.

3. *Demonstratio nova altera . . .*, Carl Friedrich Gauss, *Werke*, III (Hildesheim, New York: Georg Olms Verlag, 1981).

ies, to emerge as the crucial ideas of Bernhard Riemann in, notably, Riemann's *Theorie der Abel'schen Functionen*.<sup>4</sup> This latter work by Riemann, setting forth the physical notion of the complex domain of Kepler, Leibniz, Gauss, et al., provides the presently available methodological basis for any competent science of physical economy today. This is the primary point of reference for any competent discussion of the term creativity, as a scientific term, in the work of physical science generally, and economics in particular.<sup>5</sup>

This same concept, which was used by President Franklin Roosevelt's administration in a very practical way, is the only possible means for saving the U.S.A.—and the world—from a drop into the worst dark age we can remember.

This tradition is the cultural orientation to which our republic must now suddenly return, if we are to avoid an early and prolonged plunge into a murderous new dark age.

For example, these issues, as traced from the Pythagoreans, such as Archytas, through the work of Gauss and Riemann, formed the core of the introduction to higher education which I prescribed for the LaRouche Youth Movement (LYM). This approach to elementary knowledge of the principles of scientific creativity, was complemented by the LYM's attention to aspects of Classical artistic composition, such as the exploration of the implications of J.S. Bach's motet *Jesu, meine Freude*. The object of this emphasis on the elementary foundations of Classical art and science, was to avoid the usual, doctrinaire calamities of most of today's young-adult political youth movements, by emphasizing a rigorous grounding in the re-experiencing of the historically crucial experiences of true creativity as known from the best of science and Classical artistry prior to the changes which have taken over increasingly since approximately forty years ago.

To reach the goal of promoting the moral-intellectual adulthood of society, youth, such as the members of the LaRouche Youth Movement, must prepare themselves by experiencing the youthful foundations of the greatest creative achievements of society's earlier history. To do this, throw away the textbooks and similar approximations of rote learning; re-experience the validation of a crucial important discovery of principle from the work of the past.

To know European civilization today, know more than 2,500 years of that history from its roots, including those found in ancient Egypt's definition of astronomical science, *Sphaerics*. Rather than merely knowing the name of the place to which you have been transported, re-enact the experience of discovering the route to arrive there, the route which leads

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4. *Riemann Werke* (New York: Dover Publications reprint edition, 1953), pp. 88-144.

5. For example, in the view of the complex domain by Euler, Lagrange, Cauchy, and kindred reductionists who follow their line of argument, the ontological existence of creativity is systemically excluded in favor of a kind of echo of a Cartesian reductionist geometry. The formal argument for such a denial of its existence is that of Lagrange's defense of himself against the attack of Gauss; a pragmatic version of that denial is famously attributable by standard calculus textbooks to Cauchy.

to the appropriate choice of destination. Know history by reliving the experience of its most crucial discoveries. Know creativity by experiencing its re-enactment in a way corresponding, typically, to an independent, original act of discovery of a universal physical principle.

In the course of reading the contents of the pieces which make up the body of this book, the reader is invited to experience a genuine act of creative discovery, and to do this in such a way that the act of creativity itself is recognized as of a subsisting quality of efficient existence, as the relevant ancient Pythagoreans and their followers defined powers, as Kepler defined gravitation as such as *power*. However, to do that, there are certain presently popular bad habits, some powerful obstacles, which need to be identified and overcome.

## Creativity and Morality

Simply said, creativity as I have identified it here is the difference between you and a monkey. In fact, there are two qualities to this difference. First, the member of the human species can increase the potential relative population-density of his or her species by the willful use of creativity, as no form of animal life could do this. Second, the progress of society over successive generations, depends upon the re-enacting of the creative discovery of those kinds of universal physical principles by successive generations. Taken together, these two expressions of creativity (as I define it) provide the basis for what we might call *natural human morality*, the kind of difference which separates human morality from the culture of monkeydom.

The wrong, simple-minded, but popular view is that a person earns money by working. Through this money, he or she aids in supporting a family, and doing other things, outside the bounds of paid employment which may or may not be considered socially beneficial. The opposing, moral view is that, through the willful practice of our work, paid or not, we spend the dwindling hours of our mortal existence producing conditions which are beneficial for society to come. We do this as a soldier hazards his life for his nation or some worthy cause. When we are gone, the good work we have done should persist in radiating benefits to mankind. In this way, in a good society, a healthy relationship to work affords us a sense of a kind of personal immortality which has an efficient persistence even long after we are dead as mortal beings.

As I have emphasized at relevant locations within the body of this book, it is those principled changes, as improvements we leave behind us, which, in fact, are ties we have to personalities, as sovereign personalities, who are long dead, such as the student today reliving the mental processes of discovery of an ancient Archimedes.

Thus, rather than working because we are paid, we should be paid in order that we might do our work, that we might generate the benefits we might thereby contribute for living and future society. Although a modern society requires a well-organized, well-regulated money-system, it is not the money-

system which is the basis for society's organization; the money-system must be designed and regulated, as Alexander Hamilton and President Franklin Roosevelt intended, to meet the requirements of society's securely continued organized self-development, as Roosevelt's successful Social Security system typifies this.

The good for which society must exist and prosper, is the changes in the order of nature which we, as human society, must develop and maintain for the sake of human life on this planet—and also beyond, for times yet to come. Society's existence must have this quality of moral commitment, in which the individual finds his or her immortality, and society finds each individual to be precious to it. These moral connections and their imperatives are located essentially in that power of creativity which is unique to the individual person.

Our job is, as Cotton Mather emphasized, to do good. To do good, because it is good, and to muster the means to bring that good about.

On the record, as I have come to know many of them personally, mankind in general is a collection of stinkers. Why, then, should I have risked what I have risked for them? Why should we care about them? Are they not unreliable sneaks and sophists, most of the time? We care because they are human, and because it is only through that precious quality of humanity which resides as potential in each individual person, that good will result for our own and other societies. This morality coincides with the Promethean quality of creativity which is in imitation of the Creator of the universe, as expressed by science and Classical culture. Creativity is the likeness of man and woman to the Creator; as the Christian Apostle Paul emphasizes, it, not some set of fixed rules of behavior, is the only true virtue of mankind.

Creativity does not exist to make some men rich. Society needs material riches to secure the goals of creative progress in the human condition. As President Franklin Roosevelt showed in his practice: *Creativity is not a servant of making money; money must be a regulated slave and instrument of the mission of progress through creativity.* If you agree, and if enough of us agree on that, then our republic will survive this crisis, and civilization will go forward.

### **What Is Evil in Adam Smith?**

As I argue in this book, and have argued to the same effect earlier, the key to understanding the present state of aggravated moral and physical degeneration of the nations of the Americas and Europe, is the following decision by a Venetian financier-oligarchical circle associated with Paolo Sarpi, the founder of that irrationalist cult of empiricism of which the notorious hater of U.S. independence, Adam Smith, was merely typical, as he was also disgusting.

Sarpi's role emerged during a time that the preceding emergence of the Fifteenth-Century Renaissance's progeny, the modern European nation-state republic, had established scientific-technological progress as a force which, for reasons of strategic rivalry among nations, could not be simply sup-

pressed. Therefore, technological progress had to be used as a source of relative economic and military power. As Sarpi house lackey Galileo's insistence on his crude version of the solar hypothesis, in opposition to his Aristotelean contemporaries, illustrates this point, Sarpi's empiricism was intended to allow technologies to be employed—selectively, but to suppress popular knowledge of those creative mental powers through which fundamental physical principles of the universe were discovered in a systematic way.

Under empiricism, the world is run by a financier-oligarchy in the Venetian medieval tradition. The control over society lies in a financier oligarchy which seeks to exert the status of an independent power, an *ultramontane* kind of power in the medieval tradition, placed above the level of government. That Venetian model of Sarpi and his forerunners, came to be absorbed in a Dutch and British India Company's financier-oligarchical system, a system which assumed growing, quasi-*ultramontane*, imperial power over the planet with the relevant February 1763 Treaty of Paris. The only durably significant and competent challenge to that Anglo-Dutch Liberal imperialism so far, has been the American System of political-economy, as reflected in the relevant governmental policies stated by U.S. Treasury Secretary Alexander Hamilton, and under Presidents Abraham Lincoln and Franklin D. Roosevelt.

Under the American System, it is the small- to medium-sized agricultural and industrial entrepreneurship, not the large-scale financial corporation, which is intended to be the dominant political-economic power of the private sector of the economy. The emphasis is on the expression of the creative powers of the individual, as this is typified by the science-technology-driven small- to medium-sized entrepreneurship. Those entrepreneurships are typified in principle by the emphasis on scientific creativity, the form of creativity expressed in the most concentrated way by the Keplers of modern economy, the discoverers and radiators of universal physical principles. The potential of such entrepreneurships, depends upon a network of schools, universities, and laboratories, from which the transmission and growth of the accumulation of knowledge of universal physical and related principles flows into the daily work-a-day life of the economy as a whole.

### **In Summary**

The most essential thing to be said in summary of this book, is that it is published at a time that a rapidly increasing number of relevant press and financial institutions has been warning that the world is now lurching over the brink of a financial crisis beyond the experience of any person living today.

We are caught, like a ship in a storm, within an already onrushing world crisis, which now threatens to plunge the planet as a whole into a new dark age. It were still possible to save the world economy from this horror; but, we shall not survive without abrupt, radical measures which would return

us to President Franklin Roosevelt's intended unleashing of his intended, post-war implementation of the Bretton Woods monetary system. We either choose that option, or blame ourselves for the awful things which soon follow.

As I have stressed in the third of those five papers which constitute the bulk of this present volume, going back, suddenly now, to the intentions of President Franklin Roosevelt, is imperative, but would not be sufficient to deal with certain changes which have developed over the course of the tumultuous six decades which have shaped the world since that President's ominously untimely death. My emphasis on the role of Vernadsky's concept of the Noösphere, as in the section of this book entitled "Earth's Next Fifty Years," is an example of the way in which Roosevelt's precedents and today's new requirements coincide.

Thus, we must also do more than merely go back to the kind of policy-thinking Franklin Roosevelt represented. If your present world wishes to come out of the present crisis, before that crisis turns into a prolonged new dark age of all humanity, we must re-adopt the designs and intentions associated with the work of Franklin Roosevelt's last years, but we must also add some revolutionary features to that design.

On both counts, the contents of this book will come as a shock to most of its readers from around the world.

First, we must not only resume President Franklin Roosevelt's anti-Churchill intention for a post-war New Bretton Woods community among a world ruled by partnership among sovereign nations. We must recognize Roosevelt's intention as a conception which the leading monetary-financial institutions, and most of the economics professors of the past sixty years, worked to eradicate, in their efforts to rip all memory of those Roosevelt-era ideas permanently from the minds of present and future generations. We must not only end the decades of free trade and globalization which have brought us to the present brink of doom. The changes which must be made immediately, now, confront us with new problems, such as the present apparent crisis in raw materials supply for the generations immediately ahead. These new problems now require the creation of institutional features of a new Bretton Woods system, which will be seen as radically new elements of any system adopted at this time.

This book, taken as a whole, groups these and related issues under two interrelated, but conceptual headings.

First, I emphasize the importance of dispelling the delusion of "inter-imperialist rivalries." Over the course of all modern European history, there has been but one significant imperial force, that of the post-Renaissance revival of the Venetian financier-oligarchy which has reigned over much of the post-1763 history of the world as the Anglo-Dutch Liberal system, excepting the period of the U.S. challenge to that during and immediately following the U.S.'s Abraham Lincoln and Franklin Roosevelt Presidencies.

Today, the U.S.A.'s role in the presently reigning, global, Anglo-Dutch-Liberal monetary-financial system, is expressed as the take-over of the U.S. position in the IMF sys-

tem, away from U.S. national interests, and to the advantage of Anglo-Dutch-U.S.A. financier interests, by the so-called "Wall Street" component of that presently global financier oligarchy. The study of the history of the competing family interests within the Venetian system itself is the standard for making relevant comparisons in today's world.

For example, at the present instant, there is a building fight within leading U.S. circles between the class of wild-eyed speculators typified by the ominously careening General Motors debt-bubble, and those financial interests more oriented to the long-term survival of the U.S. system.

To make short of that point: the only solution for this aspect of the crisis, is to put the international monetary-financial system under a mission-orientation-defined partnership of sovereign nation-state governments. The resumption of a Bretton Woods system as prescribed by President Franklin Roosevelt, is the model for the only kinds of measures which can stop the collapse in the short term, and provide a continuing solution for the generations immediately ahead.

Second, there can be no avoidance of a plunge of the planet as a whole into the imminent new dark age, unless we act upon the fact that all generally accepting monetary-financial theory, as taught and practiced, for example, in Europe and the Americas today, is not merely incompetent to the point of absurdity, scientifically, but represents a vicious ideological obstacle to any reform which might enable any economy to come out of the presently onrushing crisis alive.

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# Italy Reps. Debate New Bretton Woods

The Italian Chamber of Deputies is scheduled to debate a motion March 14 which calls on the Italian government to act “to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy.” The motion concludes by requesting “the convocation of an international conference at the level of Heads of State and Government similar to that held in Bretton Woods in 1944, to create a new and more just global monetary and financial system.”

Debate will continue on March 15, 16, and 18, if necessary. The motion, which was prepared in collaboration with the LaRouche movement in Italy, was presented on Feb. 13, 2004, by Representative Mario Lettieri of the center-left Daisy party, and is signed by 50 Parliamentarians from both opposition and government parties. Among the signers is Rep. Giovanni Bianchi, who during debate in the Chamber on a similar motion in September 2002, cited the role of Lyndon LaRouche in inspiring the fight for a New Bretton Woods.

Lyndon LaRouche has made numerous visits to Italy to mobilize support for his plan to reorganize the bankrupt global financial-monetary system.

The text of the motion follows.

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## Documentation

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### **The Chamber of Deputies,**

Whereas: the recent crash of the Parmalat company, with a hole of 14.3 billion euros that must still be accounted for, certainly reveals a lack of effective tools and controls regarding financial operations and the behavior of certain participants in economic activity, such as auditing companies, ratings agencies, advisors, companies that float stocks and bonds, etc.; after the crash of the LTCM fund, Enron, and then the Argentine bonds, as well as Cirio, Parmalat, and Finmatica, to mention only the most sensational cases, it should be clear to everyone that we are faced with a truly systemic crisis;

The Investigative Survey Commission on the Parmalat case will undoubtedly produce many important results and ideas in order to prepare a set of interventions aimed at improving the functioning of economic mechanisms, with greater controls and more guarantees of propriety, and defending the interests of all those people who participate in economic processes in a productive and honest manner, and at the same time giving them responsibility;

Given the internationalization of financial markets, one nation by itself, or even Europe alone, is not able to guarantee control and application of stronger rules in a decisive manner;

The financial and banking crises raise widespread worries not only among small investors and serious companies, but also among the governing classes of the various countries involved. There is a crisis of the entire financial system, a system which is more and more oriented towards pure speculation. In fact, it is estimated that the entire financial bubble, counting all financial derivatives and all other forms of existing debt, is equal to about \$400 trillion, compared to a worldwide GDP of slightly more than \$40 trillion;

In the meantime, the most recent data officially reported by the Bank for International Settlements in Basel, not only indicate a widening of the gap between the real economy and the purely financial economy, but also reveal a true explosion of the financial derivatives bubble. The BIS report “OTC (Over the Counter) Derivatives Market Activity in the First Half of 2003,” published on Nov. 12, 2003, admits the following notional values of OTC derivatives, in billions of dollars: June 2002: \$127,500; December 2002: \$141,700; June 2003: \$169,700; that is, an increase of \$42 trillion in 12 months!;

Besides the main Italian banks involved in the Cirio and Parmalat cases, the three American banks involved in the Parmalat matter—JP Morgan Chase, Bank of America, and Citigroup—are themselves most responsible for this dizzying growth, as can be seen from the reports of the American government institution known as the Comptroller of the Currency; in June 2003, JP Morgan reached the level of \$33,300 billion in derivatives, with an increase of \$4,500 billion in only 6 months; Bank of America reached \$14,300 billion, and Citigroup \$13,000 billion. This is quite a distortion, if we consider that U.S. GDP is about \$11,000 billion:

### **Commits the Government**

To act in the relevant international venues in order to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy; and to take all necessary initiatives to reach, as soon as possible, together with other nations, the convocation of an international conference at the level of Heads of State and Government similar to that held in Bretton Woods in 1944, to create a new and more just global monetary and financial system.

The motion is signed by Parliamentarians Lettieri, Soro, Delbono, Tolotti, Widmann, Villani Miglietta, Rosato, Albertini, Morgando, Diana, Luigi Pepe, Damiani, Ostillio, De Brasi, Maccanico, Carbonella, Paola Mariani, Grandi, Pistone, Giovanni Bianchi, Giacco, Benvenuto, Piscitello, Camo, Realacci, Squeglia, Rocchi, Iannuzzi, Intini, Meduri, Santino Adamo Loddo, Boccia, Villari, Chianale, Siniscalchi, Sandi, Cusumano, Cennamo, Annunziata, Rotundo, Bonito, Buemi, Pennacchi, Fanfani, Tarantino, Rodeghiero, Angioni, Detomas, and Nesi.

# GMAC Is a Big Soft Spot In Global Debt Bubble

by Paul Gallagher

General Motors Acceptance Corporation (GMAC)—the huge \$300 billion credit finance company, sitting at the valve between the overblown U.S. real estate bubble and the deflating auto sector—is facing big debt trouble in 2005-06. The trouble is driven by the falling dollar, rising interest rates, and falling auto sales. GMAC is far larger than all the other combined parts of its parent General Motors; its debt, at about \$260 billion, is bigger than that of any other American corporation except the huge government-sponsored Federal National Mortgage Agency (Fannie Mae), whose mortgage debt it invests in. During 2005, GMAC will be caught simultaneously in a shrinking real estate bubble, in the tar pit of falling global auto sales, and possibly in the unpaid obligations of General Motors' pension plan. GMAC could play a major part in a collapse of the dollar and dollar credit markets.

“GM Decline to Junk Shows Waning Confidence in Automaker,” headlined a long, March 8 Bloomberg News analysis of the fallout from February's sharp drop in U.S. auto sales. During 2004, General Motors tried to pump up its sales with circus-level rebates for auto buyers of more than \$5,000 per vehicle (the entire U.S. auto sector gave an average \$2,700 rebate on every vehicle in 2004, but GM's doubled those of the other makers). When, at the beginning of 2005, it tried to reduce the rebates somewhat, while oil, gasoline, steel, and industrial commodity prices were zooming up and total auto sales were falling, GM hit a wall; its January sales were 9% below a year earlier, and February's were 13% down despite its having suddenly lowered prices in mid-February. Its bonds' credit rating is now just one notch above junk, with a “negative outlook” from Fitch rating agency pointing the way to junk-bond status within weeks or months.

## ‘Thunderstorm Over Detroit’

With recent years' ruinous “rebate battles,” depending in turn on the Greenspan Fed's extremely low interest rates of 2001-04, auto has become, like textiles and other globalized industries, a race for cheaper wage and pension costs to overcome falling net revenue. GM, which owns Vauxhall in Britain, Saab in Sweden, and Opel in Germany, also lost \$2.6 billion in Europe last year. GM is laying off 12,000 workers across Europe; where strikes and demonstrations

have slowed this down, as in Opel's plants in Germany, GM is getting wage cuts instead. Other European automakers are also losing sales, and waging price battles; they have joined everyone else in competing primarily to export cars to the United States.

But in the deindustrialized U.S. economy, the auto workforce has shrunk by 70% since 1980—at an accelerating pace since 2000—and in the hundreds of smaller firms of the auto parts/auto supply industry, is becoming increasingly a non-union, low-wage, and even minimum-wage sector (see *Interview*). It now has far more pensioners than working employees. Michigan UAW local president Eugene Morey cites Henry Ford's famous principle—auto workers have to be readily able to buy the cars they make—and points out that this principle can't be violated across the auto sector, without paying the consequences in the whole economy.

“Thunderstorm Over Detroit,” was the Swiss *Neue Zürcher Zeitung's* headline Feb. 26, forecasting “dramatic turbulence” as GM tries to prepare to refinance or pay \$44.7 billion in debt in 2006, and Ford to refinance or pay \$37.1 billion on its \$174 billion total debt. Tensions rise on corporate bond markets, as new debt is used to pay large volumes of old debt amid rising interest rates and rapidly falling credit ratings. Neither GM nor Ford, “financial firms now producing cars as a hobby,” are Faraday Cages, safe from being struck by lightning—in 2006, the Swiss daily wrote. But it could strike earlier.

The London *Financial Times*, in a March 5 article on “Renewed Concerns Over GM's Creditworthiness,” reported that “bond traders are now concerned about the fundamental outlook of the company.” With that massive refinancing lying ahead, it is already having to pay 3-4% higher than Treasury bond rates. For comparison, on 10-year corporate bonds: Pharmaceutical giant Merck paid 4.65% in early March on a \$1 billion issue; GM would pay about 7.45% with its current rating, and 8.25% or higher if and when it falls to junk. Bond analysts are not forecasting bankruptcy now; but, says one at Credit Suisse, “If their borrowing costs rise very quickly and they can't generate the cash they need for new products, then it becomes a vicious cycle.”

GM replaced the top officials of its sales division on March 4. Its primary parts maker Delphi (which was a division of GM until 2000) fired its chief financial officer on March 5, and its president is in process of resigning as an “Enron-style” accounting scandal makes its financial situation far worse. Delphi's credit rating was knocked down two notches to below junk in early March: on March 8, it notified 4,000 of its salaried (i.e., non-United Auto Workers-member) retirees that it is ceasing to pay into their healthcare plan, and they are on their own. This desperation move was supposed to save Delphi \$500 million a year. The same day, GM itself increased its new indefinite layoff announcement in Lansing, Michigan—where it is closing both a Chevrolet/Pontiac plant and a Delphi parts plant—to 3,700; the layoffs



were moved up to May 9.

Most suppliers for both GM and Ford were already at or below junk-bond grade before the latest sales reports, and are now being further downgraded—i.e., they cannot borrow from anyplace but GMAC to stay in business. Delphi and Visteon, Ford's biggest parts supplier, are demanding airline-style "givebacks" from the United Auto Workers (UAW), and defaulting on benefits. In 2003 and 2004, both companies got the UAW to agree to the despised "two-tier wage" system where newly hired workers earn \$14 an hour, while the UAW contract calls for \$25. The same conditions obtain all through the chains of auto suppliers.

### The Pension Collapse Threat

There is an additional threat: GM's pension fund is underfunded by \$17 billion (funded at only 80% of its obligations), and the Bush Administration is pushing new "pension reform" legislation which will heavily penalize companies with underfunded plans, and with damaged credit ratings. "Auto will probably be the next sector [after steel, and now the airlines] whose pensions may collapse" one expert told *EIR*. If GM goes to junk-bond credit status, "a lot of things change respecting its pension funds," he said, both under existing pension regulations, and more so if the Bush Administration's "reform" of the Pension Benefit Guaranty Corporation (PBGC)'s rules passes Congress. The PBGC insures and regulates private corporate pensions. The "things" that change in junk-bond status, all mean requiring from the company, both much higher PBGC premium payments per worker, and much higher payments into the pension fund itself. GM would have to assume the obligation, for example, that each one of its workers will retire at the earliest possible point, and take his or her entire pension as a lump sum at retirement.

U.S. Airways has used bankruptcy to shed these pension obligations; United Airlines is close to doing the same; like the steel companies and many other sectors before them.

If General Motors were to attempt the same, the whole \$300 billion debt bubble of GMAC would be up in the air.

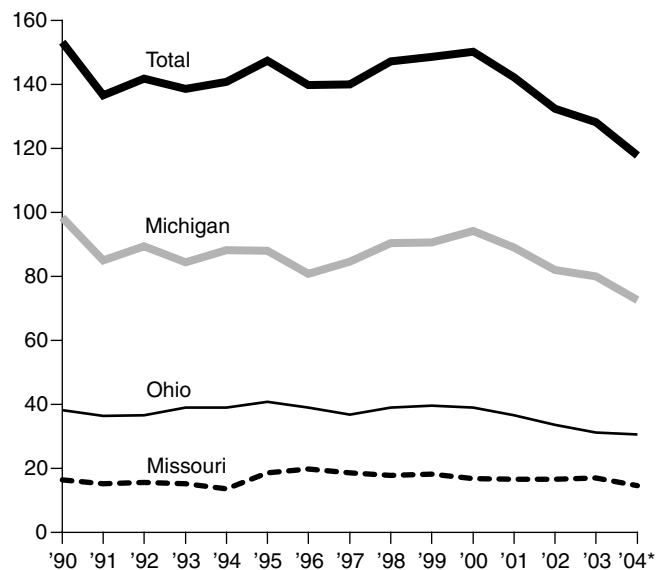
In fact, on Jan. 13, GM announced that it wants to separate from its huge credit finance subsidiary, "to try to protect GMAC from GM's sinking credit rating," the *Detroit Free Press* reported. GM wants to create, before the end of 2005, a new holding company called Residential Capital Corp., to include GMAC—much of whose assets now are in mortgages and mortgage-backed securities—and another GM subsidiary called Residential Funding, Inc. GMAC debt is now just two notches above junk, but they obviously think it would improve if detached from General Motors. Unsaid, is that this could prepare GM (the auto company) for a declaration of bankruptcy, followed by an attempt thereby to "lose" its UAW pension fund.

But the Pension Benefit Guaranty Corporation, itself already more than \$23 billion in deficit, could not simply

FIGURE 1

### Drop in Auto Manufacturing Employment in Three Primary States, 1990-2004

(Thousands of Employees)



\*Preliminary estimates for Dec. 2004

Source: United States Bureau of Labor Statistics.

absorb the obligations to GM's hundreds of thousands of pensioners, plus the loss of its pension insurance premium payments. It would defend itself, with a government lien against—GMAC.

Standard and Poor's credit rating agency already assessed this threat in an August 2004 analysts' report, "Assessing the Risk of Pension Plan Terminations on U.S. Auto Lease Securitizations," which specifically discussed GMAC. "Standard and Poor's is concerned with the following scenario," the analysts wrote: "The corporate sponsor [of the pension plan, GM in this case] files for bankruptcy; the sponsor or the PBGC terminates the pension plan . . . ; and the PBGC attaches a lien to whatever assets are available. . . . The titling trust [GMAC, holder of hundreds of thousands of auto loans and leases] therefore, as a bankruptcy-remote entity, and a part of the sponsor's controlled [corporate] group, could be . . . a target of lien attachment by the PBGC." And they noted, "Standard and Poor's assumes the risk of a GM and GMAC insolvency is high" because of the low credit ratings (which have gotten lower since the analysis was written).

Thus, a pension blowout like that of the 1990s in steel and the last four years in airlines, is one of the threats of the "thunderstorm" over the U.S. auto/finance companies' huge debt.

## Auto Leader: ‘There’s No Recovery Here At All’

*Eugene Morey is President of United Auto Workers Local 849 in Ypsilanti, Mich. He represents employees of Visteon Corporation, the primary parts supplier for Ford Motor Company. He was interviewed by Paul Gallagher on March 7.*



**EIR:** The press in New York and Washington are backing up what the Administration says, that a general recovery of the economy is under way. What does the auto industry look like in the Midwest?

**Morey:** There’s no recovery here at all. Our plants are continuing to lose employees. It’s more slowly now, than it was previously; but there’s no new job growth whatsoever in the auto industry that I’ve seen, in Michigan. If we continue to lose jobs overseas, as currently—and it’s all about “Wal-Marting” us in the industry; shopping us to the lowest bidder by country. No, I have not seen any job growth in my industry, whatsoever.

**EIR:** Is this happening within the country as well—this down-waging process, which usually works by outsourcing in most industries?

**Morey:** Yes. Our “drive to the bottom” mentality. It’s happening throughout the entire industry. And it’s no different than what’s happened in the TV industry, the appliance industry, the textile industry. One by one, every industry we had has been under attack by outsourcing. And I’ve seen it here—I’ve been at this plant almost 20 years. And we used to have over 3,800 people; and now we’re under 850.

I’ve seen us lose jobs over pennies apart on a quote, that went to Spain—and then they turn around and, “Oh! Made a mistake!” and raise the price; but it’s after we’ve already lost it. We don’t get it back.

**EIR:** The plant you represent is operated and owned by Visteon, which is the major parts maker for Ford; and it used to be part of Ford. I spoke to another Visteon plant local

president yesterday, who said he expected Visteon to miss payroll next month, in April, and thought it was very near going bankrupt. What would you say?

**Morey:** Well, I know Visteon’s had a lot of red ink since they’ve spun off, basically. Last year, they lost \$1.3 billion. . . . But as far as missing payroll, I couldn’t say that that’s going to happen.

I know that Ford and Visteon work closely together, because there are 18,000-plus Ford employees under the Visteon banner—leased to Visteon. So everybody says Visteon’s a separate company. Yes, it is. But when they spun this off in 2001, all the employees that were working at the plants were Ford employees. They continue to be Ford employees. And they’re trying to replace us with Visteon employees, lower-wage employees, and little by little, they’re doing that; but they can’t do it til there’s someplace for the Ford people to go.

If this plant were to miss payroll, I would be surprised—but I guess, *mildly* surprised. You can only carry [these losses] for so long.

**EIR:** You’re indicating you have there a two-tier wage system, is that right; for Ford employees who are now Visteon employees, as opposed to employees that Visteon has hired?

**Morey:** Right. That’s what I mean. Ford employees are not Ford/Visteon employees; we are Ford employees, under the Ford contract; and we’re leased to Visteon, that was how the arrangement was set up. But all new employees, now, that are coming in, are hired as Visteon employees. And yeah, their wage structure is very different from ours.

**EIR:** What is the difference?

**Morey:** A production worker in our facility is around \$25 an hour; and the Visteon employees come in at \$14 an hour. Big difference. And then, there’s also a major difference in the benefits package that the employees receive.

So, as far as a lot of these programs that Ford has set up, for employee support-type stuff, outside of the facility—the family center that Ford has to help employees with childcare and that kind of thing—that’s not available to the Visteon employees. There’s a retirement package that the Visteon employees have; it’s very different from ours. So, yeah, it’s a major difference from one employee to the next.

We have almost 100 Visteon employees in our facility. And that’s a process they want to continue doing. Although Visteon’s even said that that’s not enough of a cut [in wages and benefits]; that they’re going to have to give up more if they want to keep the jobs, and keep people working.

**EIR:** In other words, that \$14 an hour is not low enough for them to keep the jobs?

**Morey:** Yes, that’s still not enough. Even if we were to replace everybody in the facility—which is their plan—and send the Ford people back to Ford facilities through attri-

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*When I heard Bush talk about “retraining people,” my first thought was, “So, I’m supposed to be retrained to compete, in a shrinking market, against my children. For fewer and fewer jobs, I’m supposed to go out and get retrained, and keep my children from having a job because I still need one.”*

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tion—that’s their plan—even if this plant was completely Visteon, making \$14 an hour, that is not enough of a cut for Visteon to keep jobs in this country.

In the city of Ypsilanti, we are the last large manufacturing place. Tax revenue: Each job in our plant, there have been studies that say that six and a half to nine jobs are what we create for the area.

**EIR:** What’s been the effect on Ypsilanti of going from 3,800 down to now 850 employees at this plant?

**Morey:** For the local economy, it’s been extremely tough. And a few years ago, GM closed down one of these facilities right here in Ypsilanti, and sent the work other places; and we lost 1,700 people then. As far as the businesses, everybody has suffered. The housing market, the community itself—there’s a lot of concern as to how the city’s going to raise revenue, in case of the loss of its last tax basis. This [Visteon plant’s] tax is not quite \$1 million. But when it’s the last big one you have. . . . In our particular area, we have four facilities—actually five, if you count Sheldon Road out there—all within a fairly close proximity. And you take all those facilities, and put these people out of work, and it would completely destroy the economy here. . . . And you’ve got a lot of homes now that people paid quite a bit of money for. If you turn around and take all this [production] out of here, guess what’s going to happen to the value of those homes. They’re going to drop dramatically, because people won’t be able to afford to purchase them any more.

**EIR:** Is what’s happening to Visteon, also happening to the other parts suppliers to Ford, to GM, to Chrysler?

**Morey:** Yes. And a lot of those jobs that we used to have here, they’ve taken and given to a non-union supplier, even in-country, for cheaper labor; and then they source the parts back to us.

So basically, they’ve taken a lot of our manufacturing capabilities away from us; they’re trying to make it so that we’re just “putting things together.”

So, you’re also taking away your technical expertise, your manufacturing capabilities, and just making you—“You know what? We’re going to bring everything in here pre-built, and you’re just going to assemble it.”

Auto parts and supply in this country is becoming a non-

union and low-wage economic—and even a *minimum-wage* economic sector. . . .

And what’s happened, is the reason Visteon is spilling so much red ink, is that Ford is—you know, you have a contract to purchase for a price, to make a product. Then Ford comes back and says, “Oh, we’re going to test-market this product.” So then they put it out for bids; and they come back with a new bid—“Oh, look, we can get it cheaper at another place, so you have to match that price to keep the work.”

**EIR:** And so, these are places where the going wage is less than \$14 an hour.

**Morey:** Oh, yes. We’re talking about parts in Mexico, where the wage is \$1.50. We’re talking about straight outsourcing; or, we’re talking about a shop that is a non-union shop, and, “Guess what? We can get that part made a whole lot cheaper. So if you don’t match it, you lose that work.”

We even—on one of our quotes—we took the labor costs completely out of our quote. And we told them, “If we work free. . .” And, “Well, you’re still too high.”

**EIR:** Has Visteon been losing money from the start, in 2000?

**Morey:** 2001. Yes.

**EIR:** You told me there was recently a pension announcement, but that was [GM parts producer] Delphi, right?

**Morey:** Delphi just announced—that was their salaried people, because they’re not protected by the UAW contract; there’s really nothing the salaried people can do; it’s whatever they’re told. And the announcement came out, that some 6,000 of the Delphi salaried people—retirees—that starting in 2007, Delphi is not going to pay their [health insurance] supplement. So there’s a major cost coming to people who have retired and were counting on that. Actually, my wife’s parents, who are retired from GM, get that supplement. I’ve seen that over the years already—pretty much unpublicized—but his costs have continued to go up. Every year they’ve charged him more for what he has. It takes more of their money away from them.

Supposedly it’s going to save Delphi \$500 million a year. The people are going to have to pay their own supplement for Medicare Part B. They’re going to save \$500 million at the expense of their retirees. These people are going to have to pay it themselves, or they’re not going to have coverage.

**EIR:** This is a strong argument against privatizing Social Security.

**Morey:** That's exactly right. And this, I think, is the first step of what the [Bush] government wants to do. If you look at what the Delphi plan was: They're talking about, "Oh, these retirees are going to be able to put money into their own account now"! Well, how's a retiree on a fixed income going to have any money to put into their own account? Which, of course, brings up the question of the privatization-type stuff that Bush is talking about. How can you make \$7 an hour, try to live, have any money to put into a retirement account? They're saying, "Well, we're going to take part of their taxes." But there's no money there for those people. Their wages continue to be driven down. There is nothing left; there's no discretionary spending money left to be able to help them pay for retirement.

**EIR:** The idea that there is a problem with Social Security only arises, when you make the assumption—as their actuaries are doing—that the growth of wages will be extraordinarily low; that the growth of employment will be even lower than that, down to something like 0.2% per year growth; and that the growth of GDP will be extraordinarily low. If you have wage growth and jobs growth, there's no Social Security problem to discuss.

**Morey:** As long as you keep sending jobs to other countries, you're going to have that problem. Because foreign workers don't pay into our Social Security system. It seems pretty basic to me.

I've been through, in 1980, a pretty good recession. And I lived through that here in the auto industry. And when I heard Bush talk about "retraining people," my first thought was, "So, I'm supposed to be retrained to compete, in a shrinking market, against my children. For fewer and fewer jobs, I'm supposed to go out and get retrained, and keep my children from having a job because I still need one."

**EIR:** In the jobs picture as a whole in the industry; you said there was a decline from 300,000 to 85,000 employees of Ford in the United States. Over what period did that take place?

**Morey:** That's over 25 years. But if you look at the numbers just recently, you'll see that there's a steady decline. Especially in unionized work. Because there's no question that this is an anti-union administration in place now. We [unions] used to have 37% of the workforce back in the '70s. I think it's down to 12.5% of private and public sector employees now, are unionized. The unions really get a bad rap; but they've increased the standard of living for everybody in this country, by trying to get a fair wage, benefits to help health care, safety standards; everything that the unions fought for.

**EIR:** The differential of wages is still 40% between union and non-union employees, in public and private-sector work.

And also the differential between a manufacturing job and a retail job, is still about 80%, in wages. So this whole deindustrialization—look at the last month's report. They said there were 260,000 jobs created. There was no change in wages.

**Morey:** The jobs in manufacturing were nil, or next to nil. "Oh, but retail jobs were up." Well, retail jobs don't pay anything. Our government is based on taxing wages right now. So, as you cut good-paying jobs and you replace them with lower-paying jobs, you continue the problem of the government, with revenues. Even if you trade one for one, which we haven't been, you still need the revenue and the tax base.

They just like to look at the number—"Oh, look, we created jobs." But what you didn't create, was more revenue for yourself and for your government, for us to be able to function as a nation. Because every job you're replacing right now, pays less money; which means you pay less in taxes; so every state in our country is on the verge of bankruptcy, also, as revenues continue to drop.

Michigan is especially hard hit, obviously, having a strong manufacturing base. They continue to cut all school budgets.

So in our state, we continue—My wife's a teacher, by the way, teaches elementary school. So I get to see that firsthand. Even though my wife got her Masters, she didn't get her pay raise, because they had to freeze salaries. It's always as though you want good people, but you don't want to pay them. And every time something comes up, the first thing they cut, is always employee wages and benefits.

And in this state, and in California, with a couple of the biggest teacher unions in the country, they're coming after teacher pensions and benefits. That's front-row California, front-row Michigan right now. Because the legislatures are looking at—"Well, they're state employees, we can cut their benefits, and they can't do anything about it."

**EIR:** You're saying that what [Gov. Arnold] Schwarzenegger has started in California, that now, somebody in the Michigan legislature wants to do that?

**Morey:** It was in the news last week. I don't know if it started with Schwarzenegger; or, it started somewhere else, but they thought that that was their best chance to try to push it through, with Schwarzenegger. "Okay, we'll put it out there, because we can get things done with him right now." . . .

The Visteon new employees; their pension plan is a self—they put into a 401(k), basically, and then the plant will match part of that. But if you really read the numbers, I think that what it was, was that the plant was going to match 7.5% of the first 30% that they put in. It's pennies!

**EIR:** You came, recently, to the Schiller Institute national conference. So you know what Lyndon LaRouche has proposed. He calls it a "Super-TVA": credits on the order of several trillion dollars for modern infrastructure jobs. Now,

Rep. Harry Reid of the Democrats has talked about a (much smaller, so far) Marshall Plan for America's infrastructure, America's cities. Do you think this is the way we need to go, to turn this around?

**Morey:** I believe that's a very good plan, and something we need to look at. We invest billions of dollars in other countries; why shouldn't we do it here? You'll put people back to work, good jobs, and it will revitalize the economy. You mentioned the growth that takes place when you put people back to work—then the Social Security crisis, so-called, there's no issue with that any more, because we generate revenues within our own country.

I like the plans that they've talked about. We have so much infrastructure work, here in our country, that needs to be done. Let's put people back to work.

As a matter of fact, Governor [Jennifer] Granholm has just proposed something similar to that here in Michigan. I think she wants a \$2 billion bond, that she wants to put into—to get a bond, so she can take that money now, and infuse it into infrastructure work, and put people in Michigan back to work, and revitalize the economy. I think that would work well throughout the entire country.

**EIR:** Were it only a lot bigger! LaRouche's Super-TVA idea is, that the Federal government will come to the states that have plans like that, and acknowledge that. "Look, this \$2 billion plan, if you could be serious about it, would be a \$20 billion plan. In fact, it would be a \$200 billion plan, if you and several other governors here got together, for new transportation, for power, and so on, throughout the Midwest. The Federal government will give you the credit backing for such a plan, and you can do something real."

**Morey:** I believe that's a great idea; something that needs to be brought more to the forefront, so that people can understand. People like to talk about education. We all know education is important for high-tech jobs. But there are a lot of people in the world, that college is not for them; but they're good people, they're good workers, and they're just looking for something that they can do to make a living. And we have a lot of people looking for work, but "they're not qualified," because the jobs that are being created are in the technology field where you'd have to have a Masters degree. And that's not for everybody.

**EIR:** LaRouche has talked about this before; that such a "Super-TVA," as he called it, would probably require \$5-6 trillion in credits over a Presidency. Often people say, how can such credit possibly be created. But they have a debate going on, in which the administration, in order to privatize Social Security and dump the funds into Wall Street, is creating credit. Cheney says: "It's just going to cost trillions. We're just going to borrow it."

**Morey:** If we're going to borrow \$4.5 trillion, let's put it into our country, and into putting people back to work.

# India Puts Energy Security on Fast Track

by Ramtanu Maitra

On March 5, Venezuela's President Hugo Chávez, who was on a four-day (March 4-7) visit to India, signed six agreements whereby India's state-owned Oil and Natural Gas Corporation (ONGC) Videsh Ltd will now hold a 49% stake in Venezuela's San Cristóbal oilfield, which can potentially produce 100,000 barrels a day. The Indian firm will partner with the Venezuelan state oil company *Petróleos de Venezuela SA* (PDVSA).

The India-Venezuela oil deal is part of a series of oil and gas deals India has concluded in recent months to ensure the steady supply of oil and gas necessary to maintain a constant rate of economic growth in the future.

There are two basic reasons why India suddenly woke up to the reality of the oil and gas crisis that lies ahead. The Indian growth rate depends heavily on oil and gas availability. All Indicators suggest that by 2020, India will need to double its oil and gas consumption, merely to maintain a steady rate of economic growth of 6-7%. If more oil and gas is available, India's annual economic growth can be higher.

On the other hand, India's proven oil reserves are small, and some estimates indicate them to be as low as 5.8 billion barrels, although it is not unlikely that India will find a significant amount of new reserves soon.

In contrast, India's daily oil consumption exceeds 2.2 million barrels per day, and at the pace the economy is growing, within a decade, a supply of 4 million barrels per day would be required to meet consumption needs. India already imports up to 65% of its oil, and according to the International Energy Agency, "India's dependence on oil imports will grow to 91.6% by the year 2020 (by which time India will need in excess of 5.3 million barrels a day)." It is equally relevant to note that the billion-plus Indian population consumes 2 billion cubic feet of gas per day. This is a very small amount, and for comparison, the Pakistani population of 150 million consumes that much. India can easily consume right now an additional 4 billion cubic feet of gas per day.

Delhi has finally come to realize that India's national security depends in part on its ability to procure oil and gas on a daily basis, and its supply has thus begun to figure prominently in physical security. The Indian military, like militaries everywhere in the world, needs an ever-growing amount of oil and gas. That requirement is the basis of both the defensive and offensive undertakings of all three military services.

Not that India needed to be reminded of these facts, but

nonetheless the report, "Mapping the Global Future, An Assessment of the World's Prospects in 2020," by the U.S. government's National Intelligence Council (NIC), says China is expected to boost its energy consumption by 150%, and India by nearly 100%, if they maintain steady growth. "The single most important factor affecting the demand for energy will be global economic growth, particularly that of China and India," says the report, released last December.

Both countries lack domestic resources and need to ensure access to imports. "The need for energy will be a major factor in shaping their foreign and defense policies, including expanding their naval power," says the NIC report, adding that this is likely to prompt China to be more "activist" in the Middle East, Africa, Latin America, and Eurasia.

### **Instability in Southwest Asia**

The second factor that is driving India's oil and gas quest, is the growing instability of Southwest Asia—the most abundant source of oil and gas, at the latest count. Among India's major oil suppliers, three nations—Saudi Arabia, Iraq, and Iran—are in southwest Asia, and two of them are already battling Washington's latest weapon, "democracy"—to maintain their sovereignty. Whispers in Washington's corridors of power suggest Saudi Arabia may not be spared either. Considering what is already happening in Iraq and neighboring countries, and Washington's relentless efforts to bring about a regime change in Iran, as well as in Saudi Arabia, it is only natural that New Delhi and Beijing would embark on a course to ensure a steady supply of oil and gas to carry on their economic progress.

A key figure in developing New Delhi's new strategy, has been India's Petroleum Minister, Mani Shankar Aiyar. His dynamism in pursuing the policy to secure oil and gas supply for generations to come has been extraordinary. He has had the full support of the Indian Prime Minister Manmohan Singh, but individual efforts were still needed to convince a group of small-party politicians, who have little understanding of strategic matters, but are very much present nonetheless at the policymaking level within the ruling United Progressive Alliance (UPA) in New Delhi.

### **Two-Legged Policy**

In its plan to secure a long-term supply of more oil and gas, New Delhi has adopted two basic policies. Its first track is to speed up exploration of India's on-shore and off-shore oil and gas potential. The second track is to obtain a share of oil fields in other oil-producing nations. One element in this second track is not to depend on only one area for oil and gas supplies. This is also the strategy of China. That is why both India and China are seeking part ownership of oil fields in Africa, South America, Central Asia, Southwest and Southeast Asia, and Russia.

Last November, a panel of former Indian diplomats was appointed to advise state-run oil firms on how to buy energy

stakes in Africa, the Middle East, and Central Asia. "We now have some of our most distinguished ex-diplomats, each having had stints in economic diplomacy, to assist us in enhancing India's long-term energy security," Petroleum Minister Aiyar said.

In January, New Delhi announced the fifth round of the New Exploration Licensing Policy (NELP) on the sidelines of the Petrotech-2005 exposition, in the presence of top global oil and gas companies. NELP began in 1997, but the enthusiasm expressed in 2005 is quite different.

Citing this exercise as "The most exciting endeavor to find oil and gas, where most believe that there is none," Aiyar said, "There are 30 billion metric tons (225 billion barrels) of oil and gas to be discovered in this country by you."

So far, however, a fraction of the stated amount has been found. India's petrochemical giant, Reliance Industries, discovered an estimated 14.5 trillion cubic feet of gas in a deep-sea block in southeastern India in 2002.

The British oil and gas firm Cairn Energy has announced oil discoveries in the desert state of Rajasthan, including its Mangala field with an estimated 650-1,100 million barrels of oil reserves. Several smaller discoveries have also been reported. Last September, the state-owned GAIL (India), in association with the Gujarat State Petroleum Corporation (GSPC), struck oil in the Cambay basin in Gujarat. The recoverable reserves, based on initial testing results, are estimated to be approximately 10 million barrels, with an upside potential of 50 million barrels.

The deep-water oil blocks being offered now are spread in the Bay of Bengal (two blocks on the east coast of India, and two more near the Andaman Islands), and the Konkan Kerala offshore in the southwest. Hoping that the Bay of Bengal will emerge as the North Sea of South Asia, Aiyar said that this round of NELP production would provide employment to those rendered redundant in the North Sea (where production has plummeted 60% in the last ten years).

In securing the exploration and operational rights, the Indian objective now is to triple the annual flow of oil from India's overseas energy assets to 20 million barrels by 2010. Over the same period, domestic output from India's mature fields is expected to rise from 30 million barrels to 50 million barrels annually. It is evident that securing foreign reserves will not ease India's dependence on imported oil much.

### **Anchoring on Russia and Iran**

In India's efforts in the coming period to shift its oil-dependency strategy, India-Russia relations will play a significant role. Reports indicate India and Russia will work together in a series of energy deals, part of a pact which could see India invest up to \$20 billion in oil and gas projects in the Russian oil and gas fields. On the agenda are oil and gas extraction as well as transportation deals, to be led by Russian energy giant Gazprom and India's ONGC. It is reported that India is keen on buying a 15% stake in oil unit Yu-

ganskneftegas.

Another equally important partner in the Indian efforts in the future will be Iran. Prior to Iranian Foreign Minister Kamala Kharrazi's recent visit to India, the two countries had signed a far-reaching energy agreement in January 2005, whereby Iran agreed to sell India 7.5 million tons of liquefied natural gas (LNG) a year for 25 years. In return, India agreed to participate in developing Iran's oil fields and extracting some 100,000 barrels of oil per day from them. Kamal Kharrazi, in his Feb. 21 speech at New Delhi, described that deal as "one of the most significant results of the strategic agreements reached by the two countries so far."

In Southwest Asia, India's Reliance Industries has acquired a deep sea oil and gas block in the Gulf of Oman, and is looking for oil assets in Qatar, Iran and Saudi Arabia. "We have got one deep water block in Oman. The block is believed to hold crude oil and condensate reserves," a top company official told reporters. The acquisition in Oman is the second oil and gas block Reliance has acquired outside India. It holds a 20% stake in exploration Block 9 in Yemen, where a significant oil discovery has already been made

In the east, the government of Myanmar and Daewoo of South Korea have agreed to associate with the Indian consortium, comprising GAIL (India) Ltd and ONGC Videsh Ltd, for exploration and production in the A3 block in offshore Myanmar. This block, adjacent to the gas-bearing block A1, has a high potential for hydrocarbon finds.

## Trans-Asian Gas Grid

It is evident that New Delhi is keen to participate more widely with the Asian nations in the distribution of natural gas. Speaking at the Third Asia Gas Buyers' Summit in New Delhi recently, the Indian Petroleum Minister said, "We are talking of a national gas grid, but must also think of an Asian gas grid. In Asia we have the possibility of linking each other, not only through trade and investment, but also by a gas pipeline network which has immense potential. Gas can be siphoned off when required and yet flow."

In a subtle hint to China to conceptualize the pan-Asian gas grid, Aiyar indicated that the proposed Indo-Iran gas pipeline, through Pakistan, can be extended to northern Myanmar and southern China to provide China an access to Iranian gas.

Dwelling on the possibilities of linking the Caspian gas to Lebanon and Egypt through a series of pipelines, Aiyar said most of the Asian countries, like Japan, Korea, China, and India, which are the biggest buyers, are all flush with foreign exchange which can be used for this purpose. "The Pan-Asian approach to gas is the solution and a dialogue should begin on this front," Aiyar said. He also pointed out on that occasion that India is looking at investment opportunities in Saudi Arabia, Vietnam, Australia, Myanmar, Bangladesh, Iran, Iraq, Qatar, Kazakhstan, Syria, Egypt, Libya, Algeria, Senegal, Nigeria, Sudan, and West Africa.

By accepting the challenge of securing oil and gas supply

as a priority, India will have to begin to shift the focus of its foreign and military policies. Safeguarding the country's oil routes and accessing natural gas will soon be important elements in India's policymaking process. Currently, Saudi Arabia, Russia, Norway, Venezuela, Iran, and Iraq are India's largest oil suppliers. Securing those oil routes would mean expansion of naval power. The alternative is natural gas, and two of the largest gas reservoirs in the region are in Iran and Turkmenistan. India's medium-to-long-term goal is to gain acceptance as a regional power. Its rivalry with Pakistan over Kashmir has prevented India from securing gas from either Iran or Turkmenistan. As a result, it is most likely New Delhi will have to formulate fresh concepts as to how to nullify Pakistani hostilities.

The process may also encourage a closer collaboration with China, as pointed out recently by the ONGC chief Subir Raha. Raha favors Indo-Chinese agreement on where to bid, with the winner swapping or sharing recoverable reserves. "There are many permutations, but agreement will cap spiraling prices, which only benefit sellers." He says he has won over Indian officials, whose suspicion about China had once ruled out any accommodation. "My talks with executives at Chinese companies also suggest they understand."

In Sudan, for example, ONGC holds a one-fifth share in a producing field where the concession leader is the China National Petroleum Company (CNPC).

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# Change the Assumptions to Growth, And Social Security Is in Fine Shape

by Richard Freeman

In testimony before the House Ways and Means Committee on Feb. 8, U.S. Treasury Secretary John Snow engaged in a heated, sometimes acrimonious exchange with Rep. James McDermott (D-Wa.), a leading member of that committee:

The meat of the exchange went as follows.

**McDermott:** Well, let me ask you a question about the problems with Social Security. You're a trustee [of the Social Security Trust Fund]. You sit there and they present you with three options. The trustees always select the lowest option. This is based on 1.8% [GDP] growth. Now when was the last year the United States economy grew 1.8%?

**Snow:** Congressman, we're looking at—

**McDermott:** When was the last year?

**Snow:**—40 years. . . .

*Shortly thereafter:*

**McDermott:** What if we said 3% [growth in GDP]; what would that do to the extension of [solvency of] the Social Security?

**Snow:** Almost nothing.

**McDermott:** Nothing?

**Snow:** Yeah, almost nothing, because the growth in wages translates into growth in benefits and absorbs the effect, so that the obligation of Social Security rises very fast too—rises at the same rate, basically.

**McDermott:** So your testimony is that the growth in wages means absolutely nothing in terms of increasing the longevity of the fund? Is that what you're testifying here?

**Snow:** No, not absolutely nothing. It means very little, and over the long term means almost nothing.

**McDermott:** Would you put that in writing? I would like to see that for those figures.

**Snow:** Sure, I'd be delighted.

Snow's statements that wage increases do not make a difference to Social Security, because when wages are increased, beneficiaries' benefits increase at the same rate, is flat-out untrue. When a top official of the Office of the Actuary of the Social Security Administration (SSA) was presented with what Snow said, and asked to comment, he told *EIR* Feb. 22,

“that's unfortunate. It's not the case.”

The members of Team Bush have become more frenetic, as the bankers and George Shultz become more desperate about the state of the collapsing world financial system, with each new seismic shock that strikes it. Cheney/Bush et al. need to get Wall Street's hands on the Social Security cash flow now. Their statements are not meant to be true, but to continue a certain policy.

For 40 years, the financier oligarchs have imposed a post-industrial society policy that has destroyed the U.S. physical economy, and imposed a Malthusian pessimism eating away at American culture. These circles, who in the persons of George Shultz and Dick Cheney recruited, shaped, and order the Bush Administration, state that these axioms are unchallengeable and true forever. They then place these axiomatic premises as the starting values in an “economic model,” and spit out a result which is nothing other than an image of their starting axioms.

These financial oligarchs claim that their Malthusian demographic assumptions determine what will happen in the economy, when, in fact, it is real economic progress that determines demographics, productivity, and everything else.

It is as if an actuary—or, mortuary—put a pillow over someone's head, cut the person's main arteries, and denied him all food, and then predicted that “my model will show that this person will die.” Well, the person is dead before the model run starts.

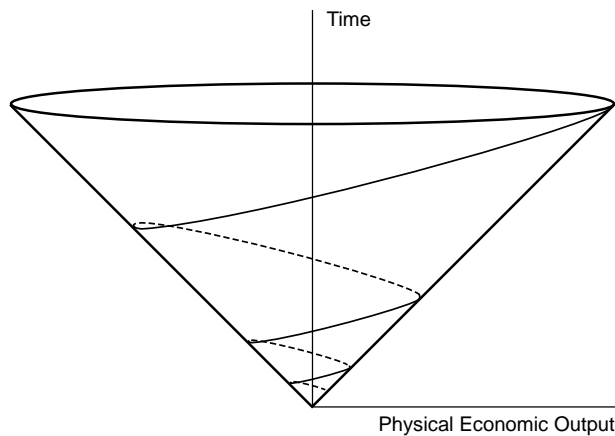
When the Social Security Administration predicts in its Trustees report, and the Bush Administration endorses, a 1.8% annual real GDP growth rate for decades into the future, as the basis for the prediction that the Social Security Trust Fund is going bankrupt, these predictions are either lies, or a statement of intent to enforce the deep depression.

We will show that were LaRouche's “Super TVA” infrastructure recovery and reconstruction program embedded within a New Bretton Woods international monetary system, this would shatter the Malthusian assumptions of the banks, White House, and Social Security Administration. That policy would create millions of productive jobs, foster leaps in productivity, substantially increase wages, raise the workforce's



FIGURE 1

## The Physical Economy Grows: Self-Similar Conic Spiral Action



cognitive power. In the process, it would solve Social Security's "financing problem," perpetuating a Social Security surplus for generations.

We will look at this matter from two perspectives. First, the real question of whether the elderly can be sustained by the physical economy, pushing to the side all monetary/accounting matters. Second, the benefits of increased real wages and fertility.

### Sustaining the Elderly

In 1984, LaRouche's book *So, You Wish To Learn All About Economics*, introduced the notion of a logarithmic spiral on a cone as an economic growth model. LaRouche pointed out that a spiral on a cylinder represented a steady-state economy, in which, as one advanced upward along the cylinder, each circular cross section of the cylinder had the same area as the cross section below; there was no growth. By contrast, LaRouche wrote, "The student should then imagine the volume of the cone is the locus of potential relative population-density, such that each circular cross-section identifies a definite potential relative population-density." Each spiral advance upward along the expanding cone represents not-entropic growth (see **Figure 1**). LaRouche advanced this idea further in his about-to-be-released book, *Earth's Next Fifty Years*.

A real economic expansion would generate increasing real productivity that is able to produce for the elderly—and every person—an increasing living standard in terms of access to medical care, the quality and amount of shelter, the market basket of consumer goods; all at a decreased cost as a share of the economy's total output and activity. That is, there is a maximization of the quality and quantity of goods, infrastructure, etc., devoted to each individual, but because

of the higher productivity of the economy, these goods represent less of a cost as a percentage of the expanding total output.

Whenever the United States has functioned on the principles of the American System of Economics, its history has proved that point. For example, over the past 200 years, because of higher productivity, America has vastly increased food output, but agricultural labor as a percent of total economic activity is far less of a share than it was 200 years ago.

With respect to medical care for the elderly, the expanded use for preventive medicine of MRIs, CAT-scans, etc.—the production of these machines on a large-scale will cheapen their cost—as well as work on new scientific principles in medicine, will lower the cost of medical care per elderly person, even while it prolongs life, and makes it more productive.

Once we know with certainty that the real physical economy has the power to sustain the elderly, this tells us that the Social Security system, whatever its financial terms, must conform to that principle.

As long as the Bush economic policies and the SSA's pre-selected assumptions prevail, the Social Security System will seem to be in difficulty. The SSA's leading assumptions are reported in the "2004 Annual Report of the Board of Trustees" of the Social Security Trust Fund (formally called "the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.") We look at the SSA's Intermediate Cost Model, which is the model whose projections it most often publicizes.

**Figure 2** shows that the SSA projects a sharp collapse in the annual rate of growth of real Gross Domestic Product (GDP), in the period 2015-80. The figure shows that this is substantially below what occurred between 1960 and 2000. On Feb. 28, *Bloomberg.com* commented about this projection that, "sustained annual Gross Domestic Product growth that low, would be the worst economic performance since the 1930s."

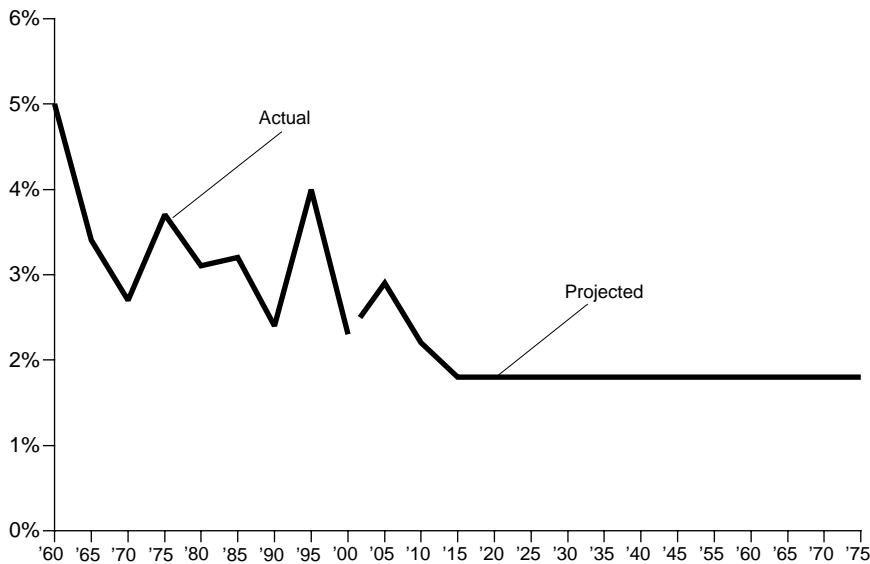
The SSA's 2004 report cranks out other Malthusian projections/assumptions, for the period 2015-2080, for productivity, labor force growth, real wage growth, and the fertility rate.

The SSA incorporates all of these elements into a determination of what it calls the Social Security Actuarial Balance, which is, right now, in deficit. For a given projected period, say 2005-2080, it adds up all the Income that will come in over this period, and all the Costs (payments of benefits) that will go out over this period, and sees which is bigger. Currently, the SSA projects this to be a deficit of \$3.7 trillion in 2005 constant dollars. This actuarial deficit can also be expressed as a percent of all the anticipated payroll that will be susceptible to paying a Social Security tax over this period. Presently, the actuarial deficit, expressed as a

FIGURE 2

## Social Security Administration Projection Makes Real GDP Growth Collapse, 2015-2080

(Growth Rate)



Source: U.S. Department of Commerce; 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds ("2004 SSA Trustees Report").

The growth rate is shown over five-year intervals. Thus the figure for 1960 signifies growth from 1960 to 1965.

percent, is  $-1.89\%$ , which represents the  $\$3.7$  trillion deficit divided by the anticipated taxable payroll over this period.

Most important, an economy governed by the SSA's projected parameters is a disaster, even without taking into consideration Social Security: this country's current account, budget deficit, and dollar valuation would blow out long before the Social Security system would go bankrupt.

### Economic Transformation

Were we to have a real economic recovery, we would change all that. This would dissolve the post-industrial society nightmare.

The SSA does not allow for change of some variables—such as labor force employment or GDP—which it considers to be dependent functions of other variables in the system. However, some variables such as wages, fertility, and others can be changed.

A genuine recovery would change all parameters across the board. *EIR* examined President Franklin Roosevelt's 1939-44 economic mobilization for World War II, which scientifically transformed the U.S. economy from top to bottom, reinvigorating old industries and building new technology-driven industries from scratch. During this period, the U.S. physical economy doubled, and in some industries, the growth of real

productivity was as high as 20% per annum; for the economy as a whole, it was greater than 10% per annum. Real wages grew at 5-7% per annum.

Suppose that today's recovery program produced a real wage growth only half as large as that of 1939-44. We choose a conservative figure of 2.6% real wage growth per year. The great productivity increases would justify such a rate of wage increase. In opposition to this, the SSA assumes only a 1.1% real wage increase.

We will not calculate a wage bill, but we will indicate where the 2.6% per annum wage increase would occur.

**Figure 3** shows the real unemployment in the U.S. is at least 17 million workers. Moving 10 million of those workers into the labor force over a few years' time, would not constitute a wage increase as such, but would give these workers wages, who before had none (those who now work part-time for economic reasons, would get a wage increase).

A second very powerful force would be the shift of employment patterns within the economy, as a direct feature of America's re-industrialization. One of

the most dangerous characteristics of America as a post-industrial society over the past 40 years, is that it has shifted from a decent-wage productive economy into a low-wage society.

This is made stark by the comparison of two processes, which seem to be moving in opposite directions, but are the complementary phases of the *same process*. **Figure 4** shows that in 1964, the number of American workers engaged in manufacturing was 50% larger than the number engaged in retail, and leisure and hospitality sectors; but by 2004, the roles had reversed, the number of retail, et al. workers, at 27.5 million, was nearly twice as large as the number of workers in manufacturing (whose workforce had indeed contracted).

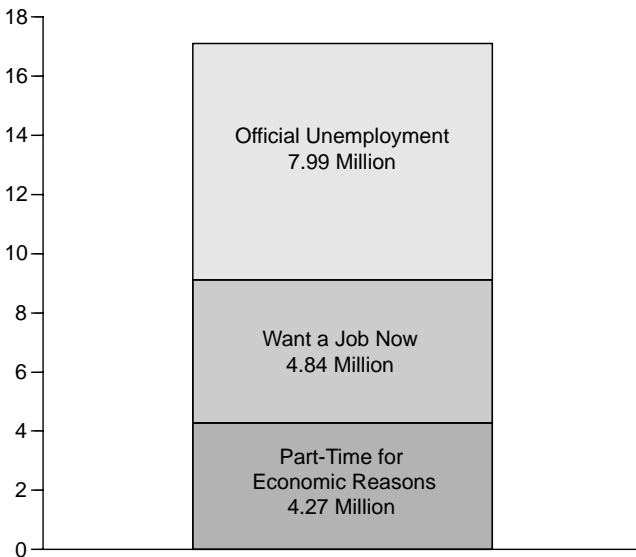
**Figure 5** shows that by 2004, manufacturing workers earned  $\$658.49$  per week, more than twice the  $\$305.17$  per week of retail. Thus, there are twice the workers in retail, et al. as in manufacturing, but each such worker earns 45% of the wage of a manufacturing worker.

This has several deleterious consequences. First, manufacturing workers are productive workers who transform nature for man's advancement; retail workers are overhead. Second, in a functioning economy, the wage represents the capacity, for a worker and his family, to purchase a market basket of goods for their material and cultural development. If one earns a low wage, that development is stunted or does not occur. Third, a

FIGURE 3

### Real Unemployment Is at Least 17 Million, February 2005

(Millions of People)



Source: U.S. Department of Labor, Bureau of Labor Statistics; *EIR*.

low wage worker pays less than half in Social Security payroll taxes that a manufacturing worker does.

Were the LaRouche recovery to begin reindustrialization, one would see a shift of at least 10 million workers from the retail, et al. sectors, and many millions more who work in non-productive, low-wage sectors comparable to retail, into manufacturing and infrastructure, to build the country. Their wages would *double*, constituting a key component of the 2.6% average annual wage increase we hypothesize.

Third, based on the 5-7% annual productivity increase that would be generated economy-wide from a “Super TVA,” including a national magnetically levitated and high-speed railroad grid, it would be eminently possible for employers to turn over at least half of that higher productivity to higher real wages. The annual 2.6% annual growth in real wages would go to all workers.

Individuals in the Office of Actuary of the SSA confirmed to *EIR* at the beginning of March, that a 2.6% real annual wage increase would reduce Social Security’s Actuarial Deficit from negative 1.89% to negative 0.27%, which is equivalent of reducing the deficit from \$3.7 trillion to \$529 billion. **Figure 6** shows that by busting through the SSA’s assumption of 1.1% annual real wage growth, one eliminates most of the deficit.

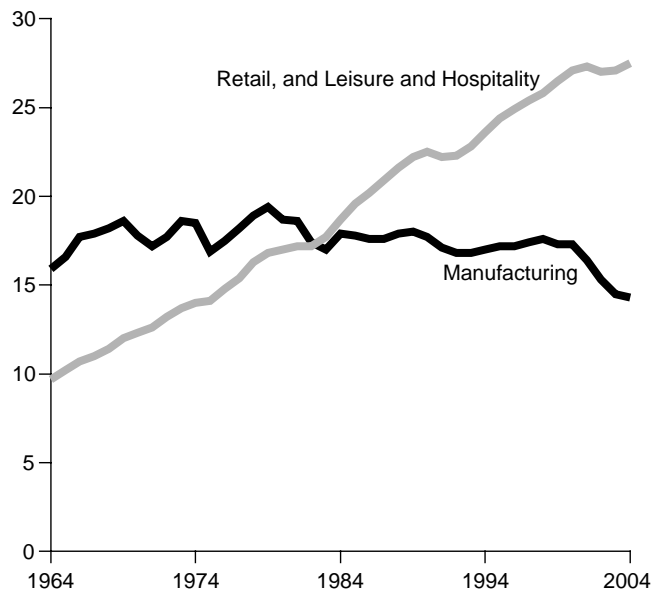
### Optimism and Population

We also looked at the role of population growth. Working from Malthusian assumptions, in its official projections, the

FIGURE 4

### U.S. Manufacturing Employment vs. Other Sectors, 1964-2004

(Millions of Workers)

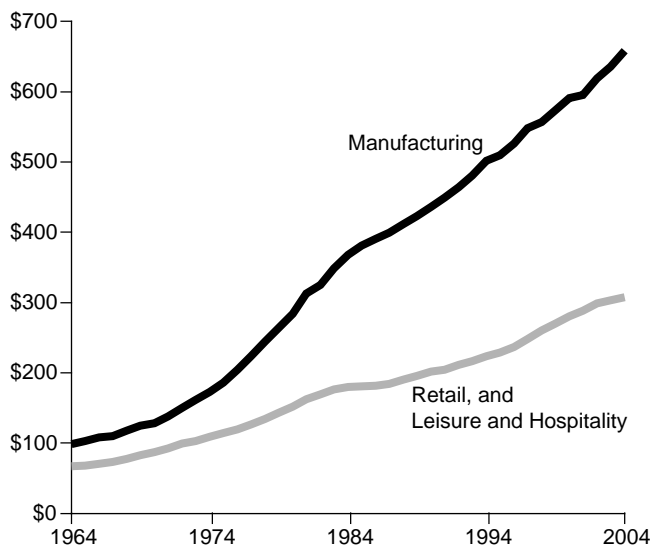


Source: U.S. Department of Labor, Bureau of Labor Statistics; *EIR*.

FIGURE 5

### U.S. Weekly Wages of Manufacturing Jobs, Compared to Other Sectors, 1964-2004

(Current Dollars)

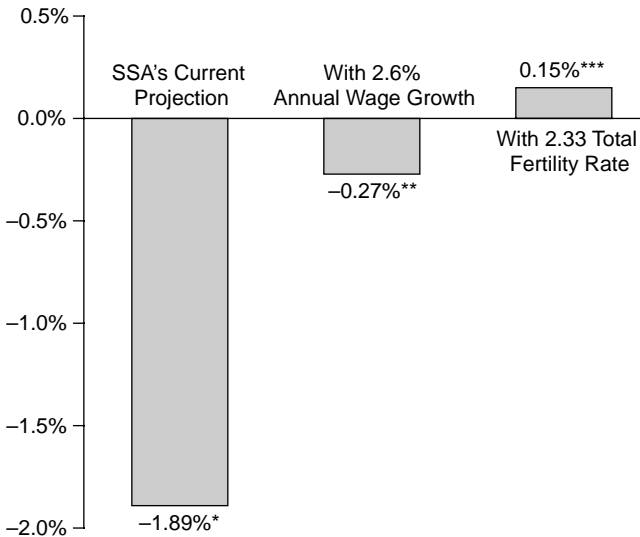


Source: U.S. Department of Labor, Bureau of Labor Statistics; *EIR*.

FIGURE 6

### Social Security Trust Fund's Actuarial Balance, Surplus or Deficit, 2005-2079

(Percent of Taxable Payroll)



\*\$3.7 trillion actuarial deficit  
 \*\*\$529 billion actuarial deficit  
 \*\*\*\$294 billion actuarial surplus

U.S. Social Security Administration, Office of Actuary; 2004 SSA Trustees Report; *EIR*.

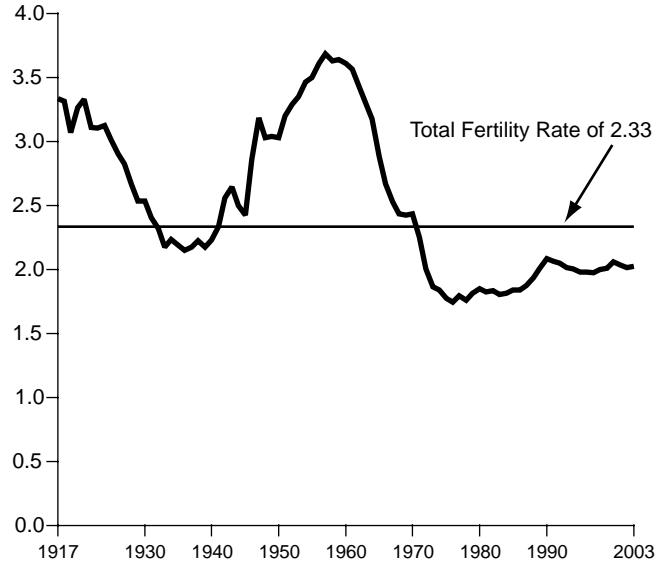
SSA assumes a zero-growth total fertility rate of 1.95 children; that is, a woman in child-bearing age range will have 1.95 children (that age range is usually assumed to be 19-44 years). The SSA's assumptions are in opposition to its own earlier projections, to the far more accurate projections of the U.S. Department of Commerce's Bureau of the Census, Population section, and to the historical rates of the United States even when it was moderately growing.

The SSA's model that projects Social Security's Costs and Income is highly dependent on demographics. The size and rate of growth of the labor force is a major element in the SSA's model. If the labor force is growing at a healthy rate, there will be more workers to pay Social Security taxes, generating more Income; if it is growing slowly, there will be fewer workers to pay such taxes, generating less Income. In the SSA model the rate of growth of the labor force is strictly dependent on the fertility rate, and the immigration rate—these rates determine how many people enter the labor force. The death rate is the other key rate, which determines how many retirees are alive to collect benefits. The SSA deliberately selected a very low fertility rate, and a low immigration rate. Plugging this in, the SSA model projected a Social Security "funding crisis."

FIGURE 7

### U.S. Total Fertility Rate: Children Born to Average Woman of Child-Bearing Age

(Number of Children)



Source: U.S. Department of Health and Human Services, National Center for Health Statistics, "National Vital Statistics Report," (various years); Population Reference Bureau.

Suppose, instead, that a successful economic recovery generates a 2.33 fertility rate—two and one-third children per woman during child-bearing age—we get a very different result.

In an advanced sector nation, for the population's bare reproduction, a fertility rate of 2.1 is required. Thus, it is assumed that 0.1 person will die between birth and young adulthood. That leaves 2.0 persons, on average a boy and a girl, to replace their parents, a man and a woman, who produced them.

Until 2000, the SSA had been projecting the future fertility rate to be 2.00 children per woman in child-bearing age range, but in that year, it suddenly lowered that to 1.95. When asked why, an individual from the fertility division of the SSA's Office of the Chief Actuary said, "We assumed that the U.S. rate would become more like that of Europe"—a very low rate.

The SSA's fraud is further ripped apart by the Census Bureau of the U.S. Commerce Department, which is the U.S. agency charged with responsibility for tracking population. In a document entitled, "Interim Projections of the U.S. Population by Age, Sex, Race, and Hispanic Origin: Summary and Methodology Assumptions," the Census Department projects that U.S. total fertility will be 2.19 by 2050, which is one-quarter of a child per child-bearing woman above the zero

growth projection of the SSA.

Instead of the SSA's fraudulent rate, *EIR* assumed a total fertility rate of 2.33 children per woman of child-bearing age, only slightly higher than the Census Bureau's projection. The main reason for this selection, is that this is the bare minimum *floor* fertility rate that America achieved whenever it didn't suffer economic collapse. **Figure 7** shows the 2.33 fertility rate was achieved during most of the 20th Century, with two exceptions. The first is the Depression years of the 1930s, when people did not have the economic security to have children (but it nonetheless stayed above the reproduction rate of 2.1). The second exception is the period 1970 to the present, when the post-industrial society policy destroyed the underlying economy. After falling during this period to as low as 1.77, since 2000, the fertility rate has been in the 2.02 to 2.04 range.

It should be stressed that *EIR* is not setting the 2.33 rate as a goal that must be achieved; people who offer monetary incentives to have couples have children miss the point. Rather, the principle is that the direction of the economy, and people's outlooks, determine demographics, not the other way around. Once LaRouche's recovery policy goes into effect, the nation's population will have a mission, and there will be powerful economic growth and cultural optimism. People will have a reason to bring children into the world, and will know that they have a living standard that will allow them to afford to do so, unlike today.

The difference in the fertility rates of 1.95 and 2.33 children per woman of child-bearing age, may not seem a lot. After all, the fertility rate of 2.33 is quite modest: during the Baby Boom peak of the 1960s, the fertility rate reached 3.7. The point here is that even this difference, of roughly 0.40 children per woman in child-bearing age, produces an enormous difference.

The 1.95 rates and 2.33 fertility rates lead to entirely different paths. The Office of the Chief Actuary (OCA) of the SSA ran model runs with the two different rates. The OCA started with the SSA's Intermediate Model: then, kept all the elements, ranging from the death rate and immigration rate, to wage levels, etc, the same, only changing the single element of the fertility rate. (Put another way, the second run does not put in the higher wages, nor the higher productivity; only a slight change in fertility arising from the economic and cultural effects of added economic growth.)

We will call the run that used the 1.95 fertility rate, the "Collapsing Fertility Rate" run; and call the run that used the 2.33 fertility rate, the "Minimum Fertility Rate" run.

In looking at the runs' results, we don't care about the absolute numbers, which, when working with a 75-year projection, must be taken with a very heavy dose of salt. What we are looking at is trends—how the assumptions lead to absolutely different *directions*. We examine how the SSA, using its 1.95 fertility rate, takes citizens, as well as

Congressmen, by the nose and leads them to dead ends. **Table 1** displays the results of the runs. **Figure 8** shows that the small increase of 0.4 children per woman in child-bearing age range, results in 100 million more people projected for 2080.

However, what stands out crucially is the *relationships of age groups*. In the runs of "Collapsing Fertility" and "Minimum Fertility," the number of elderly is virtually the same by 2080, about 96 million versus 98 million. Of great significance: In the run with Collapsing Fertility, the number of people under the age of 20 in 2080, is only 95.6 million, which is less than the number of people who are 65 and over. Whereas, in the run with Minimum Fertility Growth, the number of people under the age of 20 reaches 143.7 million.

**Figure 9** shows, in the Collapsing Fertility run, the number of people over 65 overtaking the number of people under 20. With that as the pre-selected pathway, *built into the model*, it is clear to see that there will be a financing crisis. That's why the SSA went to such lengths to chose a fertility rate that conflicts even with the Census Bureau. In the Minimum Fertility

TABLE 1

**Population, by Age Distribution**

(Millions)

Year	Actual Population			Total
	Under 20	20-64	65 and Over	
1950	54.5	92.8	12.8	160.1
1960	73.1	99.8	17.3	190.2
1970	80.7	113.2	20.9	214.8
1980	74.6	134.4	26.2	235.2
1990	75.2	153.0	32.2	260.5
2000	82.5	170.4	35.4	288.3

Year	Population Based on SSA Projection of 1.95 Children Per Woman of Child-Bearing Age			Total
	Under 20	20-64	65 and Over	
2005	83.9	181.3	36.7	301.9
2010	84.6	190.1	39.8	314.5
2025	87.4	199.4	62.3	349.1
2040	89.7	206.2	76.9	372.8
2060	92.8	215.2	86.2	394.2
2080	95.6	223.5	96.0	415.2

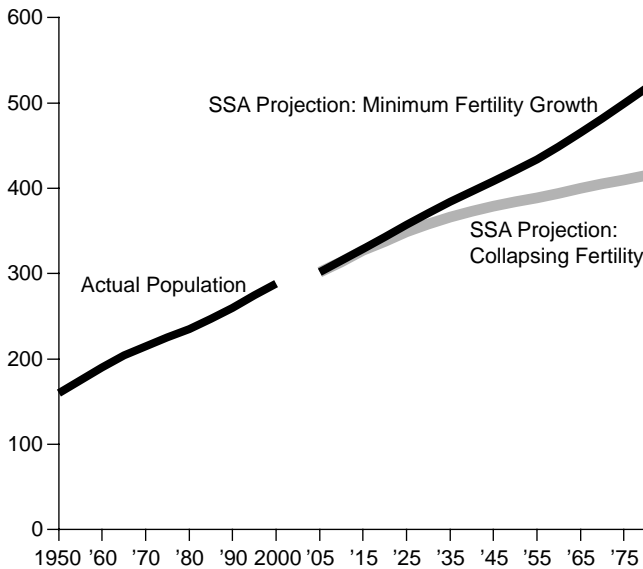
Year	Population Based on SSA Projection of 2.33 Children Per Woman of Child-Bearing Age			Total
	Under 20	20-64	65 and Over	
2005	84.0	181.3	36.7	302.0
2010	85.4	190.1	39.8	315.3
2025	95.5	199.5	62.3	357.2
2040	107.9	210.9	76.9	395.7
2060	125.1	237.8	86.2	449.2
2080	143.7	275.4	98.0	517.2

Source: U.S. Social Security Administration.

FIGURE 8

### Two Population Projections by SSA: Based On 'Minimum Fertility' or 'Collapsing Fertility'

(Millions of People)



Source: U.S. Social Security Administration, Office of Actuary.

The breaks in the graph lines in Figures 8-10 distinguish between actual population and various projections.

Growth run, the number of people over 65 will never overtake the number of people under 20.

Figure 10 shows that strictly as function of the zero-growth fertility rate, in the Collapsing Fertility run, the labor force crawls along at an extraordinarily low growth rate of 0.2% per year. Therefore, the number of workers is reduced, reducing their payment of Social Security payroll tax.

EIR confirmed with SSA's Office of the Actuary, during the first week of March, that our assumption of a 2.33 child fertility rate per woman in child-bearing age range, did have the effect we had thought it would. Figure 6 showed that adding the change in fertility rate, on top of the 2.6% real annual wage growth, would produce a 0.15% actuarial surplus, equivalent to a \$294 billion surplus. By the OCA's standards, the two changes in economic behavior put the system into surplus for the next 75 years, and likely beyond.

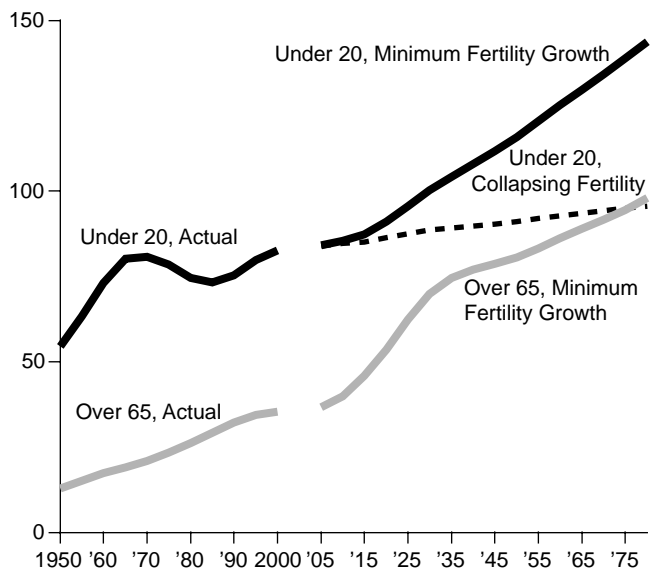
What produced this result is solely the underlying process of transformation of the real physical economy. That is where the emphasis must lie.

As the accelerated collapse of the world financial system heightens the need for Congress to take action within weeks, by bringing in both LaRouche and his policies, this will address the crisis, and cure Social Security in the process.

FIGURE 9

### Relationship Between Under-20 and Over-65 Population Depending on Fertility Assumption

(Millions of People)

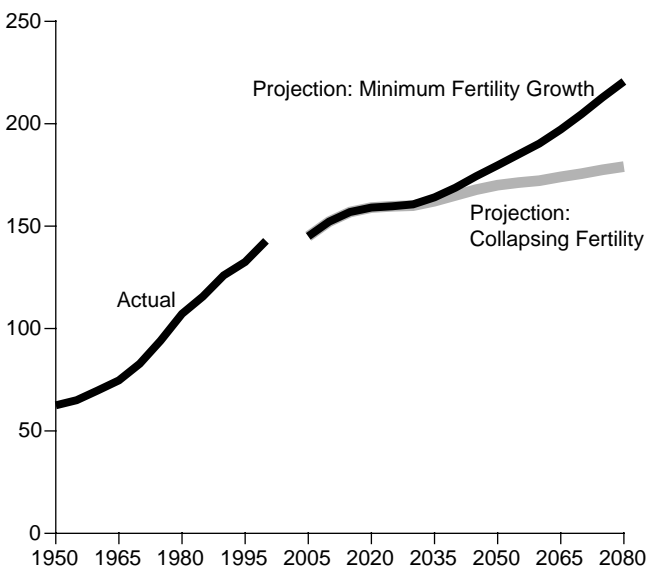


Source: U.S. Social Security Administration, Office of Actuary; EIR.

FIGURE 10

### U.S. Labor Force: Growth vs. Stagnation

(Millions of People)



Source: U.S. Social Security Administration, Office of Actuary; EIR.

# Fascist Chile Model of Pension Privatization

*LaRouche PAC on Feb. 7 issued the following fact sheet, which is circulating on Capitol Hill and elsewhere.*

President George Bush has repeatedly cited Chile as his model for Social Security privatization. While in Chile last November, he called it a “great example.” And in an April 2001 visit to the country, Bush said: “I think some members of Congress could take some lessons from Chile, particularly when it comes to how to run our pension plans.”

The architect of Chile’s 1981 privatization was Harvard-trained José Piñera, who was Chile’s Labor and Social Security Minister from 1978-80, under the Pinochet military dictatorship (1973-90). Piñera today is co-chairman of the Cato Institute’s Project on Social Security Choice, one of the ideological centers of the Bush assault.

George Shultz, the éminence grise of the Bush-Cheney Administration, visited Piñera back in 1981. In his capacity as advisor to the incoming Reagan Administration. Shultz asked Piñera to provide him with a one-page memo on Chile’s pension privatization, which had barely been implemented, for Shultz to try to sell the idea to Reagan. Reagan didn’t buy it, but George W. Bush has.

What is the Chile model?

1. Up until 1981, Chile had a U.S.-style pay-as-you-go system. In 1981, workers already in the system were given a hard-sell “choice” of switching to a new, privatized system. All new entrants to the labor force after 1981 were required to enter the private system—with the exception of the military, who protected themselves by staying in the public system. Under the private system, workers pay 10% of their salaries into private investment accounts, run by financial institutions called Pension Fund Administrators (AFPs).

2. The Chilean privatization and related economic measures were implemented by a fascist police state. From 1973 to 1979, many unions were dissolved and collective bargaining was sharply reduced. Then in 1979, Labor Minister Piñera’s “Plan Laboral” abolished the minimum wage, wiped out all collective bargaining, de facto eliminated the right to strike, prohibited trade union federations, reduced unionized workers to less than 10% of the work force, and allowed workers to be fired without cause. Dissidents were rounded up, jailed, tortured, or disappeared.

3. The driving force behind Chile’s privatization of social security was the impending meltdown of its entire financial

system, under the weight of a giant speculative bubble—a national bankruptcy which in fact occurred a year later, in late 1982. Chile’s international creditors were able to refloat the country’s banking system, based largely on the multi-billion-dollar income stream appropriated through pension privatization, in order to keep looting it. Shultz and related financial hit-men are driving the Bush privatization frenzy today for the similar reasons, only on a much larger scale of impending bankruptcy.

4. After 24 years in operation, the Chilean system today is such a fiasco that almost all political forces in the country now agree that it has to be jettisoned, and some sort of an alternative devised. A few facts summarize the crisis:

5. Half of Chile’s 6.1 million labor force is not even captured by the pension system: They are unemployed, in the underground economy, or are seasonal workers. Of the remaining half, only 1.2 million workers—a mere 20% of the labor force—are covered with a pension greater than the government minimum standard of about \$110 per month.

6. The government subsidizes those who receive less than this minimum, paying out more than a quarter of its total budget in social security payments—nearly as much as it does on education and health combined. And government social security payments are rising, with no end in sight.

7. Anywhere from 25% to 33% of worker payments are skimmed off as “administrative fees” by the AFPs.

8. From 1997-2004, the AFP annual profit rate was a cool 50%. Even in 2002, a year of economic recession in Chile, the average AFP profit rate was 50.1%—with one of the largest AFPs achieving a 210% return!

9. There were 18 AFPs when the system began in 1981; now there are only 6, of which 5 are foreign-controlled. Out of \$36 billion in Assets Under Management in the system, 95% are controlled by these foreign banking interests. These are: BBVA (Spain) with 32% of the total; Citibank (U.S.) 23%; Sun Life (Canada) 16%; Aetna (U.S.) 13%; and Banco Santander (Spain) 11%.

10. From 1982-2004, the annual return on individual accounts with the AFPs has averaged only 5.1%. If two co-workers retire in Chile today, both having the same salary and the same number of years paying into social security—one into the old pay-as-you-go system, and the other into the privatized AFP system—the co-worker in the privatized system today would receive less than half of the pension of the one who remained in the old public system.

The Chilean model is a failure. It means fascist economics, and fascist politics. It should not be repeated in the United States.

**For more on the Chile Model, see our website, [www.larouchepub.com](http://www.larouchepub.com).**

# Can You See José?

by Dennis Small

Not lately.

José Piñera, the hatchetman for Chilean dictator Gen. Augusto Pinochet's 1981 pension privatization, and the guru of the Bush Administration's plan to do the same, was supposed to be on a non-stop speaking tour across the United States beginning mid-February, to help ram the idea down the throat of the United States. As co-chair of the Cato Institute's misnamed "Project on Social Security Choice," over recent years Piñera has been an ever-present face in Washington and capitals around the world, promoting his plans (and himself) at every opportunity.

Republicans on Capitol Hill had been boasting that they would soon be pulling out their heavy guns—meaning Piñera—to mop the floor with the Democrats. Chile's privatization has been such a smashing success, they lied, that the opposition will simply wither before the might of Piñera's arguments. He's coming to Capitol Hill, he's coming to the Cato Institute, he's coming to speak before Hispanic organizations . . .

But then LaRouche PAC's pamphlet, "Bush's Social Security Privatization: Foot In the Door For Fascism," hit the streets in early January, exposing Piñera's role as pimp for Pinochet's pension looting. Two months and 1 million pamphlets later (including 50,000 in Spanish), Piñera has been nowhere to be found, not even at the Cato Institute's big show at the end of February, its "Social Security University" on Capitol Hill.

Piñera also refused to be interviewed by the *New York Times* for their Jan. 27 front-page feature, which exposed the lies about the Chilean model of pension privatization—"taking a page from Lyndon LaRouche," as ABC on-line reported at the time.

But José did make himself available for his friends at the *Wall Street Journal*, who interviewed him—down in Chile!—for a March 4 PBS program on social security, "The Journal Editorial Report." The show strung together the standard lies about Social Security ("Fewer and fewer workers are paying into the system," "demography is destiny," etc.), with brazen calls from Cato Institute President Ed Crane for the U.S. Treasury to default on the \$1.6 trillion in Treasury bonds that are held by the Social Security Trust Fund: "Some people . . . count the 1.6 trillion in the trust fund as real assets, which it's not," Crane decreed. "There are no assets in the trust fund. . . . The fact is that we have no right to the money we pay into Social Security."

The high point of the Wall Street promotional came when



*José Piñera, the guru of the Bush Administration's plan to privatize Social Security, finally surfaced, after a lengthy disappearance, for a Wall Street TV promotional for his murderous program.*

moderator Paul Gigot turned to make the sales pitch for the Chilean model:

**Paul Gigot:** "Most people point to the system now being used in Chile, as the model for what the United States should have."

**President Bush:** "Frankly, the Chilean model serves as a good example."

**José Piñera:** "I believe passionately—because I have seen it working—that a system of personal retirement accounts is morally, economically, financially and politically superior."

**Ed Crane:** "Chile's got the strongest economy in Latin America now. . . . It's been a huge success. José Piñera is a colleague of mine. . . . [Privatization] has been an unequivocal success in Chile."

It's just such mumbo-jumbo—lying to justify Wall Street's plan to steal trillions of dollars to prop up their global speculative bubble—that Piñera and his handlers have been too scared to bring in person to the American people at this time.

But it's not just in the United States. Word went out in Mexico City in late February that Piñera was coming to town to push pension privatization—which has been partially implemented in that country. The LaRouche Youth Movement there was all set to give the fascist ideologue a proper reception, but Piñera was again a "no show"—with no explanation offered for his absence.



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# Business Briefs

## *Free Trade*

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### **U.S. Textile Industry Is Disappearing**

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The U.S. textile industry is disappearing, under the “free trade” wrecking ball. The U.S. Bureau of Labor Statistics reports that in January this year, 12,500 textile workers lost their jobs. The National Council of Textile Organizations warns that 13,000 U.S. mills are at risk.

On March 7, Chinese figures were released for the January export of textiles and clothing to the United States. Chinese textile imports to the U.S. have been undergoing a dramatic increase since China’s acceptance into the World Trade Organization began the phased lifting of import quotas for textiles, in 2002. In 2001, Chinese imports accounted for 10% of the U.S. market. By 2004, the Chinese share was 70%.

At the end of last year, the last phase of removing quotas was completed. In January 2005, as compared to the year before, export of Chinese apparel products to the United States increased an average of 546%. Nearly 27 million cotton trousers, for example, were shipped two months ago, as compared to 1.9 million in January 2004. In a few categories, China shipped more than the entire previous year’s trade in one month’s time.

The U.S. industry has petitioned the government to reimpose quotas on China in specific categories, five of which have been granted. The firms want the government to initiate these safeguards automatically. They have been supported by Turkey and Peru, which find they are being chased out of the U.S. market by cheaper Chinese goods.

## *Foreign Exchange*

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### **China Will Use Caution As Dollar Declines**

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China will not sell dollar-denominated assets in its forex reserves just because of the dollar decline, Guo Shuqing, director of the State Administration of Foreign Ex-

change and vice-governor of the People’s Bank of China, said on March 5 at the annual meeting of the Chinese People’s Political Consultative Conference, China Economic Net reported. Guo also said that China will try to narrow its surplus in international payments to avoid the negative effects of a big surplus.

“We will not adjust the structure of our foreign exchange reserves according to short-term fluctuations (such as the one seen in the U.S. dollar in the past year),” Guo said. “If we sell U.S. dollars now when it is tumbling, it means we lose money. If we do sell them, we have to buy other currencies such as the euro. But what if the euro drops?”

Guo said China might contemplate changing the currency mix of its reserves, but only after taking into consideration a number of factors, such as the major currencies the country uses in foreign trade payment, foreign investment, and repaying foreign debt.

China is also striving to balance its international payments. China has a big surplus because of its stress on export growth and the building of forex reserves in case of another crisis such as the Asian financial crisis of the late 1990s.

But, Guo said, China is now coming to a greater understanding of the cost of having a large surplus. He had warned in an article earlier this year, that the preference of exports over imports will impede the technological upgrading of domestic enterprises. He also warned that rising forex reserves have led to unwanted growth in the money supply.

## *Petroleum*

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### **Argentina’s Kirchner: Boycott Shell Oil Co.**

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Argentina’s President Nestor Kirchner called for a national boycott of the Anglo-Dutch Shell Oil Company, after it raised the price of gasoline and diesel oil by between 2.4% and 4.2% on March 8. Gone are the days when one sector could walk away “with the income of all Argentines,” he warned, speaking March 9 at the Presidential Palace.

He lambasted Shell as well as other private sector interests whose actions have recently led to higher consumer prices. The International Monetary Fund is using the price hikes to press for imposition of harsh austerity.

On March 8, Kirchner underscored that “it’s all right for companies to make profits, but those have to go along with the wellbeing of the entirety of Argentina’s citizenry.” The next day, he Kirchner contrasted the solidarity shown by a variety of social and humanitarian agencies in producing the traditional white jackets that are being given to a million public school children, with the “irresponsible” attitude of Shell and others.

What people have to understand, Kirchner said, is that a “normal” Argentina is one in which the growth of one sector will mean that all sectors can grow “as a way of creating an Argentina that will represent the whole.”

## *European Union*

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### **Bankers Cabal Gangs Up On Chirac, Schröder**

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A bankers cabal is challenging French President Jacques Chirac and German Chancellor Gerhard Schröder, who are trying to keep their economies afloat as unemployment rises. The IMF, Morgan Stanley, and Standard & Poor’s are all demanding more budget cuts, in accord with the European Union’s Maastricht Treaty, and are threatening an increase of interest rates and credit downgrading if nations don’t comply.

Talks between the European Union’s finance ministers on a “reform” of the Maastricht Pact continued in Brussels on March 8, after a nine-hour marathon the night before ended without result.

Chirac and Schröder, meeting in Blomborg, Germany, on March 7, showed a combative attitude, attacking “an ill-placed technocratic automatism” and “slavish interpretation of the [EU Stability] Pact.” They insisted that a reform must take place, creating room for governmental spending at this present time of record unemployment. “There must be visibly more promotion of economic growth than before,” Schröder said.

## U.S. Administration's Lebanon Ploy Is Blowing Up In Its Face

by Nancy Spannaus

On March 8, at the very moment that President Bush was delivering a speech at the National Defense University in Washington, D.C., praising the Lebanese opposition as yet-another “democratic force on the march,” between 500,000 and 1 million Lebanese were turning out in Beirut for an anti-American, pro-Syrian rally, called by the head of Hezbollah. That rally dwarfed, by orders of magnitude, any rally of the so-called anti-Syrian opposition, which suddenly surfaced on the streets of Beirut, following the assassination of former Lebanese Prime Minister Rafik Hariri last month.

This snapshot of “forces on the ground” dramatizes the fact that the Bush Administration’s embrace of the neo-con “Clean Break” for “reshaping” the Middle East, is blowing up in its face. Bush’s demand for “democracy” in Lebanon, as in Iraq, is bringing forward a mobilization of precisely those political forces which the Administration wanted to ostracize or destroy, and even the local collaborators with the U.S. plan are becoming nervous. The danger remains that the Cheneyacs who are running the Administration, will respond with a flight-forward response, that endangers not only Southwest Asia, but the world. The Bush Administration continues to insist on its own deadline for Syrian forces to leave Lebanon, or face unspecified consequences.

### A Real Mass Mobilization

President Bush’s Jacobin/populist rhetoric, which dominated his Second Inaugural Address on Jan. 20, and has been a cornerstone of every Administration foreign policy pronouncement since, came across as political suicide, following the Hezbollah mass demonstration, which involved nearly one-third of the entire Lebanese population. The demonstrators may have mixed feelings about the Syrian occupation, which was initially aimed at stabilizing a country torn apart

by civil war, but they share, with the anti-Syrian opposition, a firm agreement that no outside interference is acceptable—whether it be American, French, or Israeli.

In an interview with Wolf Blitzer on CNN on March 9, former Defense Intelligence (DIA) Chief for the Near East, Col. Patrick Lang (U.S. Army-ret.) warned that the Franco-American interference could trigger a new civil conflict in Lebanon down the road, and advised President Bush to tone down his rhetoric.

The March 8 demonstration, called by Hezbollah leader Sheikh Nasrullah, attracted people from all over the country, who came in cars and buses. It was a “show of force,” which “will finish the whole thing,” said one Lebanese political source, referring to the crisis that had erupted following the Feb. 14 murder of Hariri. The show of force is important to demonstrate to the region and the world, that the opposition which has been very vocal and financially backed by the United States, does not represent the majority of the country by any means. A demonstration by the opposition in Beirut a day earlier had gathered 100-150,000, according to eyewitnesses.

“Thank you, Syria’s Assad,” a large banner said. “No to foreign interference,” another said. “Beirut is free, America out,” protesters chanted. Nasrallah had urged demonstrators to carry only Lebanese, not party, flags. This, according to a Beirut source, is the absolutely unique, new feature of the political process in Lebanon, as usually each party, religious sect, or ethnic group carries its own flag. Pictures of Syrian President Bashar al-Assad and Lebanese President Emile Lahoud were also carried. Set up by Iran’s Revolutionary Guard in 1982, Hezbollah is the only Lebanese faction to remain armed.

“This is an historic day in the history of Lebanon, a day

that will found the future of Lebanon,” Hezbollah’s media director Muhammad Afif told Al-Jazeera. “This huge crowd is gathered under the title of rejecting Resolution 1559, as many Lebanese people, including some opposition elements, reject this resolution.”

Significantly, he added: “This demonstration does not come against the opposition protest in al-Shuhada [Martyrs] Square. We respect all Lebanese opinions, as they are democratic expressions. Lebanon is a democratic and free country. Everyone wants to express their opinions,” he said. In fact, Nasrallah, in calling the demonstration, had invited the opposition—all Lebanese—to participate. The turn-out, the Beirut source said, shows that “Hezbollah is not alone.” So it appears that the process triggered by the Hariri assassination, may indeed move in a very different direction, than that designed by the U.S. neo-con faction fuelling the opposition!

### National Unity Sought

The national unity which was evident in the March 8 demonstration was carried forward in negotiations which immediately followed. President Lahoud met with Members of Parliament the next day, to discuss who should be appointed the next prime minister, and was met by a decision that he should reappoint former Prime Minister Omar Karami, who had resigned only nine days before, following outside pressure. The Parliament decision is binding on the President.

Even before the mass demonstration, a process of political discussion between previously hostile forces had begun. Involved were Christian opposition Qornet Shehwan Gathering member Samir Franjeh and representatives of the Progressive Socialist Party (PSP), along with Hezbollah, the Shi’ite “Party of God.” Franjeh gave an interview to the Lebanese English-language paper *The Daily Star* which was printed March 8, in which he laid out his perspective.

“The future of the resistance, its relations with the state authority and how to handle the UN Security Council Resolution 1559 are among other issues of disagreement. But we can solve them through peaceful discussions.”

Speaking of the March 7 meeting between him and PSP member Wael Abu Faour, and Hezbollah Secretary General Sayyed Hassan Nasrallah, Franjeh said: “In this meeting, we reasserted our common interest in preserving civil peace and dismissing violence, resorting only to democratic means in expressing and solving our differences and disputes.” He went on: “The change is urgent and cannot be delayed. We discussed with Nasrallah how we should build a new state from scratch.”

In the interview, Franjeh said that President Assad’s announced withdrawal of troops was a positive sign which opened the way to free internal dialogue with genuine Lebanese political parties. Franjeh added, “Although short of setting a timetable for the troops’ withdrawal, for the first time Assad declared his willingness to quit Lebanon.”

However, Franjeh criticized Assad for insinuating that the opposition wanted a deal with Israel, and that the opposi-

tion were agents of foreign powers following an American-made model in Ukraine or Georgia. Franjeh rejected this notion. “The Lebanese model is home-made and we are proud that the young students have surpassed their leadership, showing the whole world what people can achieve if they persist in their struggle,” he said.

Franjeh said the mistakes committed by the Syrian intelligence agencies were also damaging. He hailed efforts to enhance reconciliation and coexistence among different factions, most notably the meeting between the Maronite Patriarch Nasrallah Butros Sfeir and Jumblatt in August 2001.

“Instead of encouraging these efforts, the pro-Syrian police regime started to arrest the people involved and throw them in jail,” he said. In an effort to solve the country’s deadlock, the Christian leaders initiated their opposition movement in Qornet Shehwan. “We acknowledge that Muslims and Christians must share living equally in Lebanon and make their final homeland, free of any foreign domination or intervention,” Franjeh said.

### Will the Agreements Hold?

The Syrian government, aware of being the “Clean Break” crosshairs, has responded to the recent Lebanese (and U.S.-French) demands by moving toward withdrawal. A March 7 meeting between President al-Assad and Lebanon’s Syria-backed President Lahoud worked out a two-phase plan for Syrian troop pullout. The first phase, Syrian pull-back to Lebanon’s Bekaa Valley, in the east of the country, has already begun. The second phase will be the meeting of a joint military commission to agree on a schedule for further pullback.

On March 7, Syria also expelled from Damascus, the leaders of two Palestinian movements, who had been charged by U.S. Secretary of State Condoleezza Rice with having been involved in the recent suicide bombing in Tel Aviv.

On March 10 the State Department briefer denied a rumor, published in the *New York Times*, that the United States might back off its demands that Hezbollah be disarmed—a non-starter in the region.

But a Lebanese Christian, speaking with *EIR* on March 10, expressed hope that provocations and escalation could be avoided. “The leaders of the opposition are now saying to the U.S., don’t use Lebanon as a place to fight Syria. If you have a bone of contention with Syria, it is your bone, don’t use Lebanon to fight your battles. You may use your influence to ask the Syrians to leave, like France, Germany, Russia and some countries in our region have. That is all right. But if you want to disarm Hezbollah, we won’t discuss this with you. It will divide our country. We can take care of the dialogue ourselves. If we have sovereignty, then Hezbollah will become a fully legitimate force in the army and the government. . . .

“We are, of course, worried every day that some provocation will break up this unity, but leaders of all religions and sects are bending over backwards to prevent such a thing from happening. We are hoping for a new Peace of Westphalia.”

# U.S. Killing of Intelligence Official Shakes Italian-U.S. Relationship

by Claudio Celani

The killing of an Italian intelligence official in Baghdad by U.S. military forces on March 4 is shaking relations between Italy and the United States in a way potentially more serious than the 1985 *Achille Lauro* crisis, or the 1998 Cermis tragedy, when a U.S. military aircraft caused the crash of a funicular, killing 20 civilians in northern Italy. The incident is revealing how U.S. military forces have lost control of the situation on the ground in Iraq, as U.S. troops are shooting at officials of allied military forces—in the best case, accidentally—as a result of an occupation policy which includes radical rules of engagement. It also includes Defense Secretary Donald Rumsfeld's "reforms," resulting in a de facto destruction of intelligence and communications capabilities among the various U.S. agencies.

Nicola Calipari, department head of foreign intelligence of SISMI, the Italian Military Intelligence Service, was killed when a U.S. military patrol shot at the car in which Calipari, with another SISMI official, was escorting a liberated Italian hostage to the Baghdad airport. According to Italian reports, Calipari had communicated and coordinated his moves with U.S. security forces, and his car stopped immediately when it met a U.S. patrol. Nevertheless, "the car was covered with a rainstorm of bullets"—in the words of survivors—fired by U.S. automatic weapons. While trying to protect liberated hostage Giuliana Sgrena, Calipari was hit in the head by a bullet, and died instantly. Sgrena and the other SISMI official, who was driving the car, were wounded.

Calipari had led the negotiations that resulted in the liberation of Sgrena, a left-wing journalist who had been held one month in captivity by unknown Iraqi factions, and he picked up Sgrena that same day in Baghdad. This was the third successful operation conducted by Calipari, who had previously liberated six hostages out of a total of eight Italian citizens kidnapped in Iraq. Underscoring the drama of Calipari's murder, at the moment the car was under fire, the SISMI officials were on the telephone with the Italian Prime Minister's office, reporting their successful liberation operation. Prime Minister Silvio Berlusconi, reported to the Italian Senate, that he had followed part of the tragedy live, over the phone in the office of State Secretary to the Prime Minister, Gianni Letta.

The Italian government has reacted with expected firmness. Prime Minister Berlusconi summoned U.S. Ambassador Mel Sembler to his office the evening of March 4. He then received a late night phone call from "his good friend George"

Bush at 1 AM, followed by routine phone calls by U.S. Secretary of State Condoleezza Rice and Rumsfeld to Italian Foreign Minister Gianfranco Fini and Defense Minister Antonio Martino, respectively. Bush followed up with a letter sent to Italian State President Carlo Azeglio Ciampi, on March 9, in which he promised that there will be "a rapid and exhaustive joint investigation by Italy and the United States to shed light on this terrible tragedy." Understanding the seriousness of the matter, the United States government has established an investigative committee, which will include an Italian military official and a diplomat, a truly unprecedented move.

## A Larger Issue: The Rumsfeld 'Reforms'

However, the incident of Calipari's death goes far beyond the issue of Italian-American relationships. The larger causes for the incident lie in the conflict between Secretary Rumsfeld's neo-con faction, and more traditionally oriented circles in the intelligence and military establishment. Rumsfeld has increasingly shifted intelligence and special operations capabilities away from its institutional place, that is, the CIA, transferring them to covert action structures in the Pentagon.

Unconfirmed reports speak of "death squad" capabilities being implemented, similar to those that operated in the past in Central and South America, to hit guerrilla members and suspected supporters among the Iraqi civilian population. Such "reforms" have increased an already chaotic situation, adding a lack of communication and coordination in which overstressed U.S. troops shoot at anything which they see moving. A correction of this policy, including current rules of engagement, is indispensable for the continuation of an allied presence in Iraq.

Also, Italians will not accept anything short of the identification and just punishment of those responsible, different from what occurred, for instance, in the 1998 Cermis case. Nicola Calipari has become a hero for the Italian people, who participated in the tens of thousands at his funeral ceremony in Rome, and has united political forces and institutions in the refusal to accept his death as a "fruit of destiny." Although it is too early to speak about the consequences for the Italian engagement in Iraq, Prime Minister Berlusconi might lose his job next year, when general elections take place, if his government is humiliated by its American ally in the eyes of the Italian people.

Italy has 3,000 soldiers in Iraq, in the southwestern area around Nasariyah. Although the Italians were deployed after the official end of the war, and have an official peace-keeping mandate, they are de facto the second largest ally of the United States in Iraq, with Britain being the first. The Italians, however, as distinct from the Anglo-American forces, have built their security almost entirely on a network of relationships with the Iraqi population and their local leaders. This is because of the nature of the peace-keeping mandate, which includes restricted rules of engagement. An example of this is that the Italians originally deployed without tanks and without attack helicopters, a decision which was recently reversed after a couple of guerrilla attacks caused casualties among the Italian troops.

Central to the Italian operation is, of course, the intelligence structure. SISMI, the military intelligence service, has built up a network of contacts among the Iraqi population, what specialists call “Human Intelligence” (Humint), which proved to be invaluable, not only in anticipating threats to Italian forces, but also in acquiring information leading to the liberation of hostages. In some cases, SISMI was key in helping allied intelligence services in similar situations. French military intelligence has publicly acknowledged SISMI’s help in the liberation of a French hostage. Nicola Calipari was the man pulling the strings of the SISMI network in Iraq. Therefore his death, beyond the tragedy of a human loss, has shaken the whole Italian operation in Iraq.

Calipari’s death comes almost exactly one year after SISMI produced a report for the Italian government, which criticized major aspects of the American occupation policy, including the decision to dissolve the Iraqi army and administrative structures. This decision, along with the lack of reconstruction of vital infrastructure, had fed popular hostility against American occupation troops, and increased terrorist risks.

Italians have made it clear that they will tolerate no cover-up of the real circumstances of the Calipari shooting. The Rome state attorney has opened an investigation for “voluntary murder,” and has already interrogated Sgrena and the other survivor, a SISMI officer who was also wounded. U.S. authorities, who have promised collaboration, have turned the car over to the Italians, which is a major piece of evidence in establishing the nature and the extent of the shooting.

### **Divergent Views of the Incident**

However, fundamental aspects of the official U.S. and Italian versions of the incident diverge, as Foreign Minister Gianfranco Fini stated in his address to Parliament on March 8. Whereas U.S. military authorities in Baghdad publicly stated that Calipari’s car did not stop for the U.S. patrol, and that it was proceeding at “high speed,” Italian official reports state the contrary. Furthermore, U.S. military authorities deny that the Italians had communicated Calipari’s travel plans to relevant U.S. security forces. Despite the fact that the Italians officially rejected the U.S. allegations, the *Wall Street Journal*

and other U.S. neo-con newspapers insisted on the U.S. version of the event on March 10, even after Fini had read his detailed report to the Parliament.

In his report, Fini explained how Italian intelligence had worked both to discover who had kidnapped Sgrena, and to establish contact with them: “SISMI, implementing directions from the government, worked on the Iraqi territory using those arrangements that have long been deployed—and still are deployed—in the area and, it is worth recalling, had already been employed in other circumstances, allowing for the release of other hostages.

“Furthermore, synergistic forms of collaboration have been guaranteed with the coalition forces, with the hostage-center of the U.S. embassy in Baghdad, and with all intelligence services operating in the area. . . . A possible military option to liberate Giuliana Sgrena had never been considered as feasible by our government,” Fini stated, as it “would not be 100 percent effective.” “We began a whole series of initiatives which, on the one hand allowed [us] to prove the futility of some connections and channels, while on the other, finally led to the possibility of identifying what then proved to be the right channel to obtain the liberation of Giuliana Sgrena.”

Fini energetically denied rumors that the Italians had paid a ransom to liberate the hostage. When the moment came, he said, “On March 4, about 4:30 PM local time, Dr. Nicola Calipari, together with another colleague, a great expert in the area because of his former and distinguished long-term operational experience in the area, arrived at the Baghdad airport. About 40 minutes went by, during which Dr. Calipari made all necessary contacts—I repeat—all necessary contacts with American military authorities in charge of airport security, not only to notify the authorities of his and his colleague’s presence, but also to obtain, as they did, a pass to move freely around the airport and surrounding areas.”

Once they reached the place agreed upon for the hostage release, Sgrena was found in the wreckage of a car and taken into the Toyota with Calipari and the other SISMI officer, Fini continued: “The driver of the car was the other SISMI agent . . . there was no third intelligence officer, except at the Baghdad airport. . . . During the drive [to the airport], the car’s inside lights were kept on: this, both to facilitate possible controls at checkpoints (which, however, were not encountered), and to allow Dr. Calipari to make some phone calls. These are the phone calls with which he communicated to Dr. Gianni Letta [State Secretary to the Prime Minister] and [SISMI head] Gen. [Niccolò] Pollari the successful liberation of Sgrena, and the phone calls aimed at announcing to the U.S. military authorities their imminent return to the airport area, in order to obtain all possible help for an easy and direct entrance.

“The car drove through the motorway at a speed of about 70 km per hour, which was compatible with the rain-covered ground.” The car slowed down in a flooded underpass, then took a turn left, slowing down even more. “At that moment . . . the car was driving at a speed which could not have been

above 40 km per hour. In the middle of the curve, a very strong light was turned on, similar to a spotlight, in a higher position with respect to the car, and at a distance of about 10 meters, probably on the right side of the road. After the car slowed down and stopped almost immediately, there was a shooting action, probably from several automatic weapons, lasting 10-15 seconds; the shots hit the car on its right side and the driver saw tracer shots—which were thus visible—pass in front of his chest and over his legs.

“Immediately afterwards, he was ordered by some U.S. soldiers, surrounding the car, to get out. Our officer was made to kneel at about 10 meters from the car and, although he spoke English, he had difficulty presenting himself and his colleague as belonging to the Italian embassy, adding that the woman in the car was the kidnapped journalist. In particular, during this hasty and tragic phase, two young American soldiers approached our official and, in a dejected manner, repeatedly apologized for what had happened. . . . [A]fter a not short lapse of time, Giuliana Sgrena was put in an American military vehicle and driven towards the hospital. . . .

### ‘Clarity Must Be Reached’

“The [Italian] Government has the duty to stress that the reconstruction of the tragic event . . . does not coincide fully with what has been so far communicated by the U.S. authorities,” Fini said. He added that the Italian government holds the “hypothesis of an ambush,” which has been put forward by Sgrena, as “absolutely groundless.” “But this does not prevent, and rather makes it necessary to demand, that clarity be reached,” he said, “that light be shed on still obscure aspects, to identify the responsibility for what happened and, if such responsibility is identified, to demand and obtain punishment of those guilty.”

Prime Minister Berlusconi repeated Fini’s reconstruction of the event the next day, speaking in front of the Senate, and added a few details on Calipari’s communications with U.S. security officials. “On their way [to the Baghdad airport], Berlusconi said, “Dr. Calipari called up State Secretary Dr. Gianni Letta and SISMI director, Gen. Niccolò Pollari, communicating the successful liberation. Dr. Calipari, then, informed, through our liaison officer (the one who we initially thought was a fourth passenger in the car, who instead had stayed close to an American colonel in the airport), American military authorities about the immediate arrival in the airport area.”

Berlusconi also stressed that the Italian reconstruction of the event is different from the American one: “This reconstruction results from what has been witnessed by our intelligence official, who was together with Dr. Calipari and was wounded in his arm, but does not coincide fully with what has been so far communicated by U.S. authorities.” He added, “only a frank and mutual acknowledgment of those responsible will bring to a close an incident of which we feel the full unreasonableness, and we bear all the suffering.”

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## Interview: Luigi Ramponi

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# Italy Paid No Ransom To Kidnappers

*Regardless of the Italian version of the Calipari incident, on March 10 some neo-con and right-wing U.S. media published nasty attacks on the Italians, indicating that Rumsfeld’s friends intend to run a coverup of what happened on March 4, to make the case that there is no reason to change any aspect of U.S. military occupation policies in Iraq. Leading the charge was the Wall Street Journal, which suggested that the Italians had paid a ransom for Sgrena’s release, a “policy of deliberately aiding terrorists.” The Journal also repeated the lie that the car was speeding up to the checkpoint.*

*In an interview with Claudio Celani on March 11, the head of the Defense Committee of the Italian House of Representatives (Camera dei Deputati), Rep. Luigi Ramponi, rejected the Journal’s allegations. Ramponi knows what he is talking about: He is a four-star general and was the head of SISMI in 1991-92. Given his institutional role, Ramponi cannot be too outspoken, and some of his thinking must be read between the lines.*

**EIR:** Mr. Ramponi, how do you answer the *Wall Street Journal* allegations that a ransom was paid to liberate Giuliana Sgrena?

**Ramponi:** I answer by saying that Italian Deputy Prime Minister and Foreign Minister Gianfranco Fini has publicly stated yesterday that neither the Italian government nor anyone on



*Representative:  
Ramponi: “The Italian  
government has been  
against any form of  
blackmail.”*

its behalf has paid a ransom. This is the official truth, supported by all Italian political forces, who do not challenge it. It is also known that the Italian government position has been firmly against any form of blackmail.

That having been said, it is clear that intelligence agencies open contacts with all possible channels. Italian agencies do that, all other agencies do that, including U.S. intelligence agencies, as I know personally from my past experience as head of SISMI, and as such, a collaborator of allied intelligence services. This is done in order to open all avenues which could lead to a solution of the problem.

**EIR:** What do you think, when U.S. media repeat the initial U.S. version, even after Fini and Berlusconi reported a different reconstruction of events in the Italian Parliament?

**Ramponi:** In my opinion, all versions are premature. The shooting occurred at night, many things are unclear, and facts cannot be hastily interpreted. We will know the truth when the protagonists confront one another. In my opinion, those who choose a version do that in an imprudent way.

Italian Foreign Minister Fini, in his speech in front of the Parliament, stated that “there are contrasts between the Italian and the American version.” This is a fact. However, if the U.S. authorities were so sure about the facts as they have reported them, why have they started a “supplementary investigation,” as they did?

**EIR:** Some media report that there is indeed a communications and security foul-up, but that this was the case long before Calipari’s death, and concerns the results of Defense Secretary Rumsfeld’s centralization of those functions in the Pentagon, rather than the CIA. Somebody says that SISMI informed the CIA, according to procedure, but that the CIA did not inform the Pentagon.

**Ramponi:** It is true that there is a lack of coordination among U.S. agencies. It is also true that, as the Americans know very well, the Commission report on 9/11 proposes a coordinator for U.S. intelligence bodies.

It is true that the CIA, being in charge of foreign intelligence, runs the main contacts with agencies with similar functions in other countries. In Italy, it is SISMI which has a preferential relationship with the CIA. When I was head of SISMI, and I travelled to Washington, I spent one hour at the FBI, half an hour at the DIA, one hour at the Pentagon, and . . . four hours at the CIA.

It is true, there is a lack of coordination among U.S. intelligence and security agencies. It is certainly possible that what occurred at the Baghdad airport on March 4 is the result of a lack of coordination and communication between what the CIA knew and what the Pentagon agencies knew.

However, I am very cautious, because it could be that Calipari directly contacted the military. The investigation shall find that out.

# Dirty-Money Scandal Points to Sharon, Mega

by Dean Andromidas

On the morning of March 6, Israeli police raided Branch 535 of Bank Hapoalim, Israel’s largest bank, and arrested 22 bank employees and top managers, in what Israeli police are calling the largest money-laundering case in the nation’s history. Meanwhile, on the other side of town on March 6, police raided the offices of exiled Russian oligarch Vladimir Guzinsky, in search of incriminating evidence of money laundering. In addition, it was announced that the Israeli Ambassador to London, Zvi Hefetz, Guzinsky’s former business partner, will be questioned about his possible role in the affair.

An Israeli economics professor told *EIR* that everyone knew that Branch 535 was one of Israel’s top money-laundering centers; “the question is, why does this happen now?” He commented that the targeting by the police of Guzinsky and Hefetz points directly to Sharon. “Hefetz was nominated to become ambassador to London by Sharon,” despite the fact that he speaks only rudimentary English, and everyone knows that Guzinsky is close to Sharon. The case exposes to the world the “nexus between crime and politics in Israel.”

But there is much more to this than the exposure of Sharon’s infinite corruption. An Israeli intelligence source told *EIR*, “This is not a local case but international; it’s the biggest development in Israel today.”

U.S. statesman Lyndon LaRouche linked the scandal to the imminent collapse of the dollar. Parallel to this dollar collapse, British and Swiss financial sources point to the Bush Administration’s blowing up of the Middle East, and certain other developments that have unleashed a major shake-up in international money-laundering centers. When these shake-ups occur, cars blow up, major players are killed, and banks get raided.

A senior City of London source connected the Bank Hapoalim case to the recent assassination of Lebanese Prime Minister Rafik Hariri, saying: “My view on what is happening in Israel and Lebanon is that it has not only a geopolitical dimension, but a financial one. The background to these developments is the fact that Greek Cyprus joined the European Union in May 2004. What has followed is a phasing-out of Cyprus as a financial center for organized crime, drug traffickers, and money launderers, especially the Russian side of this business. Thus, alternative centers have to be found. In the region, Beirut and Tel Aviv become attractive alternatives, which could explain recent events in those two cities.”

Hariri’s brutal assassination not only doomed the peaceful

resolution of the Syrian-Lebanese crisis, but destroyed Hariri's vision to once again make Beirut the major international financial center, for European and southwest Asian capital, that it had been prior to the civil war of the 1970s and 1980s. In the months before his death, Hariri had travelled to Russia, where he proposed that Russia establish a foreign trade bank in Beirut. He also proposed broad cooperation in gas, oil refining, and real estate projects in Russia, Lebanon, and the rest of Southwest Asia.

If Lebanon descends once more into a civil war, these capital flows, which could have been deployed for real economic development in the region, will instead continue to prop up the doomed "globalized" international financial system.

As for the neo-cons and their financial backers, their policy is to grab the region's oil and natural resources while throwing the entire region into chaos and war. Like one of the crusader states of Venice, Tel Aviv is to become the "globalized" financial center for the region. Lackeys, such as Sharon and Israeli Finance Minister Benjamin Netanyahu, have been only too pleased to comply.

This neo-con policy went into high gear with the naming of Rhodesian-American Stanley Fischer to the position of Governor of the Bank of Israel. A former deputy director of the International Monetary Fund, Fischer is a protégé of the radical free-market Chicago School. For more than 20 years, Fischer has been George Shultz's "economic hit man," tasked with transforming Israel into a radical free-market economy. As deputy director of the IMF in the 1990s, Fischer more than anyone else was responsible for the collapse of the peace process, by imposing radical free-market policies on the region (See *EIR*, Jan.21, 2005).

## **The Rogues' Gallery Behind Bank Hapoalim. . .**

A look at who's behind Bank Hapoalim reveals the rogues' gallery of free marketeers and crooks who are leading this policy, and control both Sharon and Netanyahu.

Bank Hapoalim (BH) is Hebrew for "Workers' Bank," and was part of the Histadrut trade union federation at a time when the Israeli state played a central role in the economy. It was privatized in 1997, when Netanyahu was Prime Minister. A controlling share in the bank went directly to the American financial consortium that directs both Netanyahu and Sharon.

This consortium, which snapped up more than 30% of the shares, was led by Ted Arison, a former gun-runner for Israel before it became a state. Arison made his fortune with his Carnival Cruise Lines, which operates floating casinos. He got help in this project from Meshulam Riklis, another casino operator. Riklis and Arison bankrolled both Sharon's career and his private life. Riklis gave Sharon the money to buy his infamous Sycamore Ranch. As Arison is now deceased, his shares are held by his jet-setting daughter Shari Arison.

The Arison interests are represented by Shlomo Nehama, who is chairman of the bank. Nehama is one of Netanyahu's "unofficial advisors." As one Israeli expert put it, "Nehama is more important than an official advisor; when Nehama speaks, Netanyahu listens."

Arison bought 20% of the bank and tapped his friends from the so-called "Mega Group," which was founded by Charles and Edgar Bronfman, and is comprised of wealthy American Jewish philanthropists who also happen to fund the American political right-wing and right-wing pro-Israel lobby. These include:

- Michael Steinhardt, Mega group member, founder of the LaRouche-hating Democratic Leadership Council, who is the money-bags behind Sen. Joe Lieberman. Steinhardt's father was the bookkeeper of organized crime kingpin Meyer Lansky, for which activity he served time in Federal prison. Steinhardt used his father's seed money to establish a series of enormous hedge funds, which he later sold, allegedly to devote his time to "philanthropy." As owner of the Israeli Maritime Bank, he held a mortgage on Ariel Sharon's ranch, where he is often a guest.

- Leonard Abramson, founder of the HMO U.S. HealthCare. Shortly after Sharon was sworn in as Prime Minister in 2001, Abramson was a guest at Sharon's farm to discuss the launching of a propaganda offensive on behalf of the plan of Israel's warhawks to bury the Oslo accords forever. Shortly after returning to the U.S., Abramson met with fellow Mega members Edgar Bronfman and Steinhardt, after which they launched a major propaganda operation called "Education for the Middle East," also known under the acronym "Emet," which means "truth" in Hebrew.

- Charles Schusterman, founding member of the Mega Group and founder of the Texas oil independent Samson Resources. He was one of the major funders of the American Israel Public Affairs Committee, the right-wing Israel lobbying group that is now under investigation by the FBI for alleged spying. As he is now deceased, his shares in Bank Hapoalim are held by his heirs.

- Lewis Ranieri, who owns 3.4% of the bank, is not a member of Mega and makes no pretense about being a philanthropist. In the 1980s, he was the top dog at Solomon Brothers who invented mortgage-backed securities. He is probably the individual most responsible for the U.S. Savings and Loan bank collapses of the 1980s, and for today's housing bubble, whose collapse threatens to bring down the entire financial system. Ranieri created Bank Hapoalim's New York subsidiary, Signature Bank, using 50 to 60 former managers from Edmond Safra's old Republic National Bank.

- Danny Dankner, an Israeli, is the other major shareholder. The Dankners and their family business empire are among the "robber barons" who have profitted immensely from the privatization of Israel's state sector, through their cronies in the Israeli government, from Sharon and Netanyahu on down. The Dankners also profitted by winning con-



## An Outgrowth of 'Operation Spiderweb'?

In June 2002, European police, with the cooperation of the FBI, arrested 50 people in a crackdown on Russian "Mafiya" money laundering, said to involve more than \$500 million, laundered through the Bank of New York into Russian Mafiya accounts all over Europe. The mass arrests were part of "Operation Spiderweb," led by Paolo Giovagnoli, chief investigating magistrate of Bologna, Italy.

Giovagnoli told *Washington Times* reporter P.K. Semler that one of the targets of the probe was Grigori Loutchansky, an Israeli-based Russian Mafiya figure, whose Nordex company was deeply involved in the money-laundering activities. Giovagnoli also revealed that he had in his possession Interpol documents "that state

that Marc Rich was one of the founding partners of Nordex."

The naming of Loutchansky and Rich is of immediate relevance to the current Bank Hapoalim probe in Israel. U.S. intelligence sources reported to *EIR* that the Hapoalim raids were part of the ongoing probe into Likud corruption, including flows of Russian/Israeli Mafiya funds into the party's coffers. That probe was activated at the time of the Likud Party convention, which proceeded the last election of Ariel Sharon in January 2003.

At the time, it was revealed that major conduits of funds into the Likud right-wing, particularly into Benjamin Netanyahu, were none other than Loutchansky and George Bush's second-favorite author (next to the author of *My Pet Goat*), Sharon Cabinet minister Natan Sharan-sky. While neither Loutchansky's nor Rich's name has come up yet in the Hapoalim probe, one name that has surfaced prominently is that of Michael Steinhardt, who was a long-time close business partner of Rich.

—Jeffrey Steinberg

tracts from Sharon for building settlements in the Occupied Territories.

Financial observers have questioned the fact that only two weeks before the police raided the bank, this consortium sold \$250 million worth of shares in the bank. In fact, since October, these sharks pumped up the stock value by 100% by mobilizing American institutional investors, mostly pension funds, to buy up Bank Hapoalim's stock when the price was very low. The fact that the top management knew that a potentially damaging police investigation was underway, raised more than a few eyebrows in financial and judicial circles.

### ... And the Russian 'Mafiya'

So far, none of this rogues' gallery, the real crooks, are under investigation; only bank managers, desk officers, other employees, and a few clients have been arrested. Nonetheless, the police have frozen the almost \$400 million held in more than 180 accounts, belonging to 18 customers, which are suspected of being used for money laundering. A total of 200 customers are thought to be involved. Many of the suspects include Russian oligarchs, Russian "Mafiya" kingpins, and Israeli and foreign businessman. France is said to be cooperating fully, and Bank Hapoalim's Paris branch is being targeted by police.

Russian Mafiya money has found a welcome home in Israel for the last decade, finding its way not only into the Israeli banking system, but into the election campaigns of several well-known Israeli politicians.

Commenting on this fact, Guy Rolnik wrote in a March 9 article in the daily *Ha'aretz*: "As the 1990s began, Israel's

big banks discovered a new geographical entity . . . Russia. Every few months, some new Russian celebrity, all Jewish, of course, would visit Israel, bringing tens of hundreds of millions of dollars. The banks didn't pester the dignitaries with questions; they just opened special divisions for Eastern Europe."

The most interesting suspects in this regard are several Russian oligarchs who are living in Israel because there are arrest warrants out for them in Russia and other countries. This list is impressive:

- Vladimir Guzinsky, former Russian media baron and banker. He is wanted by the Russian authorities for fraud and tax evasion. This hasn't affected his business career in Israel, where he owns 30% of *Ma'ariv*, Israel's second largest daily newspaper. His partner is former Mossad agent and Iran Contra-era arms trader, Jacob Nimrodi. Both are good buddies of Sharon and Netanyahu.

- Leonid Nevzlin, who is also exiled in Israel because of a Russian arrest warrant charging him with murder, was a partner in the holding company Menatep with Mikhail Khodorkovsky, the former head of Yukos oil, who is now on trial in Russia, where he is accused of serious financial crimes. Nevzlin's other partners, Vladimir Dubov and Mikhail Brudno, are also charged with financial crimes and are living in Israel.

- Arcadi Gaydamak is a Russian-Israeli who is wanted by the French for fraud. He made his fortune in the arms business, especially in Angola.

Where will the investigation go? Authorities are hinting that at least one other bank is under investigation.

# Behind the Kelly/Wilson/Duggan Affair: Anatomy of a Defamation Campaign

by Jeffrey Steinberg

For the past 18 months, a trans-Atlantic network of “friends of Dick Cheney and Tony Blair” has been waging a defamation campaign against leading Democratic Party figure Lyndon LaRouche. Since the first Bush-Cheney Inauguration in January 2001, LaRouche, one of the world’s most renowned political economists of the American System school, and a 2004 candidate for the Democratic Party Presidential nomination, has been leading the effort to expose the follies of the Bush-Cheney Administration, which promotes perpetual imperial wars abroad, and the “Hooverization” of the American economy at home.

During the same time frame, LaRouche has led a successful campaign, within the Democratic Party, to revive the tradition of Franklin Delano Roosevelt, as the basis for rebuilding the party, and taking back control of the Congress and the White House in the upcoming election cycles. LaRouche played a pivotal role, through a series of international webcasts, following the Nov. 2, 2004 elections, in getting House and Senate Democrats to challenge the legitimacy of Bush’s so-called victory. This resulted in the historic Jan. 6, 2005 Joint Session of the U.S. Congress, in which the outcome of the Electoral College vote in Ohio was challenged, and all claims of a Bush “mandate” were wiped out.

With the April 1, 2003 publication of the first edition of the LaRouche in 2004 “Children of Satan” series of reports, exposing the Cheney-led neo-conservative apparatus, a growing number of American and international political circles were provided a bird’s-eye view of what some astute observers have dubbed “the committee to blow up the world.”

Just days before the first copies of “Children of Satan” appeared on the streets of the United States, American and British troops had launched the invasion of Iraq, ostensibly on the grounds that the Saddam Hussein regime had been amassing weapons of mass destruction and abetting terrorist groups, including al-Qaeda. As the world now knows, all the so-called WMD and terror charges against Iraq were fabricated by the U.S. and British neo-cons, to get their “lovely little war” in the Persian Gulf, a war that has subsequently turned into a quagmire, worse than Vietnam.

At the time of the launching of the Iraq war, Lyndon LaRouche emerged as a leading trans-Atlantic voice, in oppo-

sition to the Cheney-Blair imperial faction. On two occasions in the Spring of 2003, LaRouche was a featured guest on the British Broadcasting Corporation (BBC), calling for the impeachment of Vice President Dick Cheney, on the grounds that the Vice President was the key Bush Administration official responsible for the pre-war disinformation.

LaRouche’s BBC comments coincided with a revolt from within the British political and scientific establishment against Tony Blair, for his role in the pre-war intelligence fraud. In late May, BBC aired a series of stories, citing unnamed British intelligence sources, that 10 Downing Street had “sexed up” the September 2002 Iraq dossier in order to win parliamentary and public support for the Anglo-American invasion. The revelations caused a firestorm within Great Britain, forcing House of Commons investigations into the charges of pre-war disinformation. Since 2001, the Bush and Blair administrations had run a joint “Coalition Information Center” to coordinate propaganda for the “War on Terrorism.”

In London, the Coalition Information Center was run out of 10 Downing Street by top Blair aides Aleister Campbell and Phil Bassett. Bassett is the husband of another Blair intimate, Baroness Liz Symons. Baroness Symons held a series of key defense and foreign affairs posts in the Blair sub-cabinet, and had been intimately involved with both Dick and Lynne Cheney in various of those assignments. She had, for example, arranged a number of British Ministry of Defence contracts for Halliburton, while Dick Cheney was CEO.

By early July 2003, with a nascent insurgency brewing inside Iraq, and with anti-war sentiments growing inside the United States and Great Britain, the Blair government launched a counter attack, naming prominent British scientist David Kelly as the source of the leaks to BBC about the “sexed up” dossier, and planting a series of defamations against the widely respected defense specialist. On July 15, 2003, Dr. Kelly was hauled before a House of Commons commission, probing the disinformation charges. Two days later, Dr. Kelly’s body was found in a wooded area near his home in Oxfordshire, after having purportedly taken his own life.

The mystery surrounding the death of Dr. David Kelly remains a point of controversy. In January 2004, a commis-



*British Foreign Office figure Baroness Liz Symons, shown here with U.S. Secretary of State Condoleezza Rice, has played a key role in coordinating a trans-Atlantic campaign to counter the growing influence of Lyndon LaRouche.*

sion headed by Lord Hutton issued a whitewash report, exonerating the Blair government on the charges of fabricating pre-war intelligence. However, through the course of the Hutton inquiry, damning evidence had surfaced, confirming the scientist's charges. The Blair government had also moved against BBC, forcing the resignation of the head of the news division, and purging others who refused to toe the 10 Downing Street propaganda line.

Ironically, the meeting where the campaign against Dr. David Kelly was launched, took place at the Prime Minister's Office on July 8, 2003. Tony Blair, according to subsequent accounts, personally chaired the meeting, where the decision was made to release Dr. Kelly's name as the source of the leaks to BBC.

The same day, July 8, 2003, the *New York Times* published an op-ed by former Ambassador Joseph Wilson III. Wilson charged that the Bush Administration knew that their claims that Saddam Hussein was seeking uranium from Africa to build a nuclear bomb was a fabrication. Those bogus charges, which even appeared in President Bush's January 2003 State of the Union address, formed the strongest argument for the United States to launch preventive war against Iraq in March 2003.

Ambassador Wilson revealed that he had been sent, in February 2002, on a CIA fact-finding mission to Niger, to probe allegations of an Iraqi illegal purchase of large quantities of yellow-cake uranium precursor. The allegations proved unfounded, and Wilson had reported his findings back to the CIA, which, in turn, informed Vice President Dick Cheney. Cheney had initiated the probe by asking the CIA

to look into the Niger-Iraq yellow-cake allegations. A parallel Pentagon probe of the Niger yellow-cake allegations confirmed Wilson's findings.

Less than a week after the publication of the Wilson *New York Times* op-ed, syndicated columnist Robert Novak published a story, blowing the identity of Wilson's wife, Valerie Plame, as an undercover CIA officer. The Plame leak, which is still the subject of a Federal grand jury probe by independent counsel Patrick Fitzgerald, blew a series of important CIA operations and fronts, which were tracking WMD around the globe. Ms. Plame had been a "non-official cover" officer, working undercover abroad, for the better part of her 20 year career at the Agency.

*EIR's* own investigation into the Plame leak revealed that the origins of the "Get Joe Wilson" campaign

dated back to March 2003, on the eve of the Iraq invasion. Following the March 7, 2003 testimony at the United Nations Security Council by International Atomic Energy Agency (IAEA) head Dr. Mohamed ElBaradei, in which he revealed that the Niger yellow-cake story had come from fraudulent documents, Ambassador Wilson appeared on CNN TV. While he did not yet reveal details of his own Niger mission, Wilson did suggest that Bush Administration officials review their own files. They would, he said, reveal that they knew all along that there was no truth to the Niger yellow-cake story.

*EIR* sources revealed that, within days of the Wilson TV appearance, a series of meetings took place in the office of Vice President Cheney, and a campaign against Wilson was set in motion. Sources insist that at least two senior staffers in the Veep's office, chief of staff Lewis Libby and deputy John Hannah, both know the full story on the Plame leak to Robert Novak. The same sources reported that the Cheney team used some leading neo-cons on the Defense Policy Board, then chaired by Richard Perle, as another outlet for the smears against Wilson and Plame.

### **The Kelly/Wilson/Duggan Overlay**

The same Washington/London circles that targeted Dr. David Kelly and Ambassador Joseph Wilson had already decided, by July 2003, that Lyndon LaRouche also had to be targeted—before his influence within the Democratic Party reached the point that it jeopardized the Cheney-Blair apparatus. Already, hundreds of thousands of copies of the first "Children of Satan" pamphlet had been distributed in the

United States, an equal number of copies had been downloaded internationally from the LaRouche websites; and major Establishment news outlets, like the *New York Times*, were picking up on the LaRouche exposés of the role of the late University of Chicago professor, Leo Strauss, in shaping the neo-con worldview.

The vehicle that the Cheney-Blair trans-Atlantic team chose for going after LaRouche was the tragic death of a young British student, Jeremiah Duggan, on March 27, 2003. Duggan was killed, in what German investigators ruled a suicide, when he jumped in front of a speeding car in Wiesbaden, Germany.

A student in Paris, the British youth had come to Germany to attend a conference of the Schiller Institute, and a LaRouche Youth Movement cadre school. According to eyewitness accounts, Duggan had met the LaRouche Youth Movement in Paris several weeks before he travelled to Germany, and had been attracted to the LYM's opposition to the Iraq war, and other policies.

During the day and evening of March 26, Duggan became distressed, and sought help in obtaining medication. He had confided that he had diagnosed psychological problems. Early in the morning of March 27, he left the apartment where he was staying with other conference guests. He died several hours later.

On March 28, Duggan's parents, who had divorced when Jeremiah was a boy, travelled to Germany and met with Schiller Institute officials, as well as law enforcement.

It is here that *EIR*'s direct knowledge of the Duggan case leaves off. *EIR* and Schiller Institute representatives have not seen the full police investigative report. Even more important, they have not seen Jeremiah Duggan's medical records. Subsequent to the one visit to Wiesbaden, Jeremiah's mother, Erica Duggan, was targeted by a trans-Atlantic self-professed, anti-cult apparatus, which in fact was an outgrowth of government mind-control secret-warfare programs, which has been operating for decades against LaRouche. She has subsequently been drawn into that orbit, and is now actively promoted by them, as part of the renewed "Get LaRouche" effort, which is being extensively funded, if her travel activities, and the elaborate Duggan website are any measure.

On July 12, 2003, five days before Dr. David Kelly's purported "suicide," the London *Guardian* published the first slander against Lyndon LaRouche, centered around the death of Jeremiah Duggan. Four days after Dr. Kelly's death, BBC, which had twice earlier interviewed Lyndon LaRouche favorably on the Iraq war and on his campaign for the Democratic Party Presidential nomination, aired a slander against him, also centered around the Duggan affair.

On Nov. 5, 2003, a British Coroners Inquest into the death of Jeremiah Duggan was contaminated by the introduction of scurrilous anti-LaRouche propaganda, provided by the American Family Foundation (AFF), to promote false allegations of a Schiller Institute link to Duggan's tragic death. Four

weeks earlier, the AFF had held an international conference in Hartford, Conn., addressed by Dennis King, a long-time poison-pen deployed against LaRouche, who had at one time worked for the notorious Roy Cohn, the aide to Sen. Joe McCarthy and organized crime-tainted lawyer.

Despite this barrage of media slanders against LaRouche, the *Wiesbadener Kurier* reported, on Nov. 11, 2003, that the Wiesbaden Chief Prosecutor, Dieter Arlet, had complained about the media attacks on the German investigation into the Duggan death. A spokesman told the newspaper that it was "completely inexplicable how such a characterization could get into the media." The spokesman added that there were "no grounds for us to reopen the investigation."

No legitimate grounds, to be sure. However, high-level political circles in London and Washington, according to sources within government, determined to milk the Duggan tragedy and kick-start problems for LaRouche, whose campaign for the Democratic Presidential nomination was drawing growing grass-roots support.

Against a backdrop of continuing defamatory British press coverage of the Duggan affair, featuring the same litany of AFF-foisted lies, Erica Duggan met, on April 1, 2004, with British Foreign Office figure Baroness Liz Symons. Also attending the meeting were Mrs. Duggan's local Parliamentary representative Rudy Vis and Labourite Lord Janner.

The involvement of Baroness Symons was of particular note, given her longstanding ties to Prime Minister Tony Blair, and to both Vice President and Mrs. Cheney. Symons, by meeting with Erica Duggan, and her subsequent efforts to boost the Duggan affair by pressing German officials to reopen the investigation into Jeremiah Duggan's death, by assigning a barrister to work with Mrs. Duggan, offer the clearest evidence that the entire effort is being directed, top-down, by political circles with political motives, who are growing more and more desperate to stop LaRouche.

On Oct. 24, 2004, on the eve of the U.S. Presidential elections, in which LaRouche was actively backing Democratic nominee John Kerry, the *Washington Post Magazine* ran its own version of the "Affair Duggan," in an attempt to scare off the growing legions of Democrats who were collaborating with LaRouche and his movement. The *Post* piece, by staff writer April Witt, however, was of such a deranged quality, that its impact backfired. It was widely seen as a shoddy attempt to defame LaRouche *because* of his growing political influence.

In early March 2005, Erica Duggan was in Wiesbaden again, this time accompanied by German attorney Nikolas Becker, the former attorney for East Germany's last Communist leader, Erich Honecker. According to news accounts, Wiesbaden Chief Prosecutor Hannelore Biniok is still refusing to reopen the probe, backing the original investigative findings that Duggan's death was a suicide. That will neither stop the campaign against LaRouche, nor quell the growing desperation of the Cheney-Blair gang.

# Discontinuity in Current World Affairs

by Maj. Gen. Vinod Saighal (ret.)

*India's General Saighal delivered an abridged version of his presentation to EIR's seminar in Berlin on Jan. 12, which was published in our Feb. 11 issue. Here, he expands on his views on the "discontinuity" in world strategic affairs—a point which Lyndon LaRouche took up in the seminar dialogue. LaRouche underlined the factor of mass insanity in producing discontinuities and revolutions. "The government of the United States today, the present government, is a case of mass insanity. That's where the discontinuity lies," LaRouche said. But the discontinuities themselves create the opportunity for revolutionary change of a positive nature. That is most urgently true, in the case of the United States today.*

I must compliment Mr. LaRouche for his presentation. I've been reading his papers over the years, and to the best of my knowledge, in the last hundred years of U.S. politics, I have never come across any Presidential contender having articulated his views so concisely, cogently, and clearly. I have a slight difference of opinion with him, because the past is not going to project into the future at this point in time. In fact, the new book I am working on, is titled *The Future as Discontinuity*. The globe is facing a discontinuity.

Kautilya, a few thousand years ago, in his *Arthashastra*, said, it is the nature of power to assert itself. And we've been seeing this throughout history. What the United States is doing now, is nothing out of the ordinary. The difference is, at this point in time, as never before in history, power is concentrated at a single point on the globe. Any decline in this power, is going to affect the globe. So therefore, at this point in time, regardless of what evil that has overtaken the United States, a catastrophic decline of U.S. power is in nobody's interest: not of America, America's friends, and America's adversaries. I have said that in almost all my books, which have sold more in the U.S.A. and Canada, and the West generally, than in India.

Now, I am going to be flagging off two points: the impending financial crisis, and externalities that impinge on the likely U.S. decline, which translates into a temporary global decline—unless we're prepared for it.

## The Elites Can Delay a Financial Breakdown

Taking first the financial crisis: Don't you think, ladies and gentlemen, that the powers that control the U.S. establishment today, as so clearly brought out by Mr. LaRouche, are

aware that their policies, their economic policies, are pushing the United States into a head-long decline? Do you think they're not aware of it? Do you think there's not a deliberateness to it? The answer is: They're aware of it! And they are preparing to take over and benefit from a global collapse!

Today, the United States is hugely indebted to the powers that hold the global financial reserves: China, Japan, Saudi Arabia. Do you not think that these countries know that these reserves—in the case of China going up to \$800 billion—are not worth the paper they're written on? Does Japan not know it? Does Saudi Arabia not know it? But, they are all part of the global system. The governing elites of China, Japan, Saudi Arabia, have been co-opted into the system. So, they're not in a position to pull the rug from under the feet of the United States, and bring in that collapse—because a collapse of the United States *ipso facto* translates into a collapse of China's ambition to be a global power by about 2025. So, China is not going to do it. Although these U.S. Treasury receipts may be worthless pieces of paper, China is using those assets to build itself as a global power. The same is the case with the others I'm referring to. Where I differ with Mr. LaRouche is: The collapse is not necessarily imminent; the decline can be artificially stretched for some time.

Once again, who are the people pushing for this decline? I think Mr. LaRouche knows them. Today, in the United States, they are putting their money into an area which is already defunct—as known to them. The National Missile Defense (NMD) effort, over the period of its life-span of 25 years, is going to cost \$1.2 trillion. Kindly see, who are the people who have bought up and control the firms and entities that are going to support this NMD system. They speak of an axis forming around China, India and Russia threatening the United States.

Ladies and gentlemen, as I have written in my books, this triangular relationship is a laudable enterprise—but it's a non-starter. Just go to the establishments who run China, India, and Russia. Take the establishment that runs India. Where do you see India sacrificing its bilateral relations with the United States in order to augment this triangular relationship, beyond a point? Where do you see the Russian establishment, in the ascendant after the Yeltsin years, going to sacrifice its bilateral relations with the Atlantic community, to build up China and the triangular relationship? Go to Beijing: Where do you see, in the establishment currently running China, the bilateral interests of China being sacrificed to build up the triangular relationship? I don't see it, at all.

In the manner which Mr. LaRouche proposes this triangular relationship, I'm all for it. But, look at the people who are running China. their wards, their sons and children. Do you know how many billions of dollars they've invested into joint enterprises with people from Taiwan and the United States?

We must appreciate the subtle change that has taken place in the outlook of the middle classes who have been slowly

sucked into the maws of free market capitalism in one country after another. The essence of capitalism being self-indulgence, conspicuous consumerism, and instant gratification, parts of society experiencing greater affluence have joyfully taken to the “who cares what happens tomorrow” syndrome. Something similar is happening at the other end, due to extreme deprivation by people who are starving and who do not know where their next meal is coming from.

## Will U.S. Society Implode?

My greatest worry, is an implosion of U.S. society; America’s demoralization over the longer term, if its policies that are being followed in the Middle East continue for any period of time. In September 2003, when Abu Ghraib was not yet known, en route to a conference here in Berlin, I was passing through London and the BBC asked me to come for a live presentation. I said, when people talk about American casualties and the body bags—there were 600 U.S. casualties at that time—this means nothing. For people who are ready to invade another country, 600 casualties are no casualties; 50,000-100,000 casualties might be different. *But*, I said, the problem that America is going to face, is the psychological disorientation that has come about in the people you have deployed in Iraq. A psychological disorientation deriving from what they were told about Iraq, and what is happening there in reality—and this I said before Abu Ghraib.

The psychological disorientation has already gotten into these 150,000 people in Iraq. Once they go back to America, it will diffuse through the bloodstream of American society and will demoralize America. Throughout America’s history, there have been parades in New York and Midwestern towns when the soldiers returned from foreign wars. They were welcomed back as heroes. This time, when the soldiers go back from Iraq, there are going to be no yellow ribbons on the trees. They’re going to slink back! They will not be welcomed as heroes. You’ve destroyed them psychologically in Iraq—which in turn is psychologically wrecking and demoralizing America. Throughout America’s history, there have been parades in New York and Midwestern towns when the soldiers returned from foreign wars. They were welcomed back as heroes. This time, when the soldiers go back from Iraq, there are going to be no yellow ribbons on the trees. They’re going to slink back! They will not be welcomed as heroes. You’ve destroyed them psychologically in Iraq—which, in turn, will psychologically wreck and demoralize American society.

## ‘Vertical’ and ‘Horizontal’ Proliferation

Although proliferation of nuclear weapons remains a strong possibility, I would advise all concerned to concentrate now on limiting the more dangerous vertical proliferation rather than on horizontal proliferation. The P5<sup>1</sup>—U.S., Russia, U.K., China, and France—better start honoring their com-

mitments under Article VI of the Nuclear Non-Proliferation Treaty here and now, or become P5 among P10, P20, or even P30.

Coming from India, a few words on the the new-found nuclear status of India might be in order. The world was aghast when India exploded its first nuclear device in 1974. The country waited a full quarter century before announcing its nuclear status to the world in 1998. This time around, the shock was greater. The land of Buddha, Mahavira, and Gandhi had seemingly abandoned *ahimsa* and joined the bandwagon of nuclear might. The dismay within India was perhaps as great. Why did it come about? Many in India felt that the 21st Century milieu simply did not allow space for practicing Gandhian pacifism in a stand-alone fashion. The situation around the world made it an impractical proposition—more so, if the vision was not shared by other nations. Weakness in any society, in any age, was an invitation to being subjugated, India’s history demonstrated it to be undeniably so. Not being able to stand up to the onslaughts of terrorism, unilateralism, or capitalism, as well as the sponsored threats from neighbors, becomes an indefensible proposition—morally, or otherwise. It is axiomatic that durable peace demands a just and equitable international order. [Indian President] Dr. Kalam, referred to as the father of India’s missile program, is a humanist par excellence. Yet he has no doubt that India should be a nuclear weapons power.

In any case, other threats of equal or higher magnitude than proliferation of nuclear weapons have come into being. Post 9/11 and post-Iraq, this aspect can hardly be in doubt, especially when people have started wondering whether democracies are able to control the war-making power of their executives. Recent examples are an indication that national leaders increasingly tend to arrogantly disregard the *vox populi*. Fear of terrorism has provided the excuse for moving beyond democratic constraints and for abrogating international protocols. In a few short years, the descent has been steep enough to throw the residual vestiges of rationality, logic, and good sense that governed the conduct of diplomacy and international relations out of the window. These have no appeal for today’s wielders of power.

As I said, attention has to focus on the vertical proliferation spiral that is being propelled by the direct penetration of the governance process and the media networks by what President Eisenhower called the military-industrial complex, in one country after another. The developments in the U.S. are not surprising. The oil lobby and the military contractors need no longer put pressure on the Administration, since they *are* the Administration. There are similar trends elsewhere in the world, including in the European Union. Today unbridled capitalism, which has become the handmaiden of environmental degradation, nuclear proliferation, and the militarization of space, has become a “rogue” process. In other words, it is a runaway process that might no longer be amenable to control.

1. The UN Security Council’s Permanent Five nuclear powers—ed.

## A Window of Opportunity

The climactic event that took place on 11 September 2001, shook the U.S.A. and the world. After three years, the world has to move on. Not everything should turn around 9/11, nor should the world become hostage to that single event. Undoubtedly, 9/11 was a major incident, but one ought to carefully look at the 9/11 Commission report and the exposures of deliberate falsifications that took place at the highest levels of governance in respect to what really happened on that day.

Now, there are other issues that have come center-stage, crying for the attention of the world. The world is facing a situation whereby one strong individual or a coterie of individuals in control of the levers of power of a state, can jeopardize the ecological future of a country, region, or the planet without there being a mechanism in place to effectively put a halt to the ecological decline. When taken collectively, the rapid ecological depletions taking place on Earth represent a potential for habitability-eclipse for humans and various life-forms that is several orders of magnitude higher than any nuclear exchange that might take place between lesser powers or an asymmetric exchange between a superpower and a lesser adversary.

In fact, it could be safely assumed that the Cold War type of nuclear destruction that could have devastated the planet can be practically ruled out, unless the U.S.A. pushes China to take the same route over the next 20-30 years.

At the same time, there is a window of opportunity: The great Eastern civilizations can take the lead in the search for global solutions. This is not intended to diminish the centrality of the U.S.A. to effective resolution modes. The world's unstinting support to the United States was unequivocally demonstrated after the 9/11 attacks in the U.S.A. Even now, no world power can be viewed as hostile to America, a golden opportunity to sit together and resolve issues that threaten global harmony.

Today only two entities threaten each other and the world with the threat of weapons of mass destruction, these being the superpower U.S.A. and its principal adversary, the shadowy radical elements out to hit the U.S.A. wherever they can. At least for the next 10-15 years, the nuclear exchange at the lowest kiloton yields is more likely between these two adversaries.

Yet, we have to ask the question: What would have been the quantity of munitions expended had the U.S. military been effectively contested in Iraq? Account needs to be taken of their toxic potentiality for the Iraqis and for the coalition troops, as well as the ecology of the entire region.

"I am strongly in favor of using poisoned gas against uncivilized tribes. The moral effect should be good . . . and it would spread a lively terror." That is Winston Churchill commenting on the British use of poison gas against the Iraqis after the First World War. Some 80 years later, the use of deadly, inhuman weapons—depleted uranium (DU)—did

spread lively terror in Iraq, even though the rest of the world failed to see the moral effect. Many scientific bodies and military hierarchies would have been aware of the Gulf War Syndrome, especially when almost a third of the 700,000 U.S. soldiers who served in the First Gulf War are now collecting disability payments. Yet not a single government had seen fit to debate this issue before considering the dispatch of troops to Iraq, where these weapons have been extensively used.

Sri Aurobindo, the great philosopher-sage, a little before his death, had presciently warned humanity on the need for urgent remedial action. In April 1950 in a Postscript Chapter to *The Ideal of Human Unity*, he wrote: "The indwelling deity who presides over the destiny of the race has raised in man's mind and heart the idea, the hope of a new order which will replace the old unsatisfactory order, and substitute for it conditions of the world's life which will in the end have a reasonable chance of establishing permanent peace and well-being. . . . It is for the men of our day and, at the most, of tomorrow to give the answer. For, too long a postponement or too continued a failure will open the way to a series of increasing catastrophes which might create a too prolonged and disastrous confusion and chaos and render a solution too difficult or impossible; it might even end in something like an irremediable crash, not only of the present world-civilization but of all civilization."

The digression, not being a descent into pessimism, should serve to highlight the urgency for immediate action, to very simply resume the destiny of humankind from the handful of people who have taken control of the levers of power in the superpower and some nations around the world. An enlightened leader with the attributes required to reverse the dangerous decline might not find it possible today to come to the fore and win election to the office of the President of the United States. The interests that have taken an iron grip over the Washington establishment, the media, and wealth formation will simply not allow such a species to co-exist.

Yet, as I said, the challenge before the world is not so much to diminish U.S. power—a catastrophic decline at this juncture not being in anybody's interest—but to change U.S. mindsets and channel America's amazing vitality toward productive ends—ends that will allow for the speedy revitalization of the planet. Once again, the globe is facing a discontinuity.

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## Schröder Visits Arabian Peninsula

*The potential now exists for applying Germany's revolutionary maglev rail technology to the Gulf states.*

In a Feb. 27-March 5 tour, German Chancellor Gerhard Schröder visited Saudi Arabia and six other states on the Arabian Peninsula, five of these—Kuwait, Qatar, Bahrain, Oman, and Yemen—for the first time. And although not explicitly proclaimed by the Chancellor and his entourage of 170 German business leaders, this tour not only served German economic interests, but also pursued policies of intensified cooperation, in stark contrast to the anti-Islamic, confrontation policy of the Bush Administration.

Schröder addressed 1) the need to reconstruct the Iraqi state and economy in close cooperation with the direct neighbors of Iraq; 2) solving the Iranian nuclear problem in the framework of expanded economic cooperation, including between Iran and its neighbors on the Arabian shore of the Persian Gulf; 3) preference to promotion of political and societal reforms in Arabian states by constructive dialogue with pro-reform currents in those states, rather than by “megaphone diplomacy”; and, 4) deepening the “dialogue of cultures” between Europe/Germany and the Islamic World.

These themes will rank prominently in the new Arabic-language program of Germany's Deutsche Welle TV and radio abroad, inaugurated during Schröder's visit.

As far as Iraq is concerned, the Chancellor reiterated that his government will not deploy any troops there, but will continue to limit its role to the training of Iraqi police, militiamen, and anti-terror units, at locations in the United Arab Emirates. The Chancellor advertised joint industrial cooperation projects with Iraq's neighbors, espe-

cially with Kuwait and Saudi Arabia, but also with Iran.

In terms of industrial agreements, projects worth a total of 4 billion euros were signed, or will be signed soon. These include the construction of a refinery complex with a plastics-manufacturing plant in Bahrain, for 1.3 billion euros; and a gas-fueled power complex in Kuwait and port facilities in Kuwait City worth several hundred million euros each. German assistance features the development of petrochemical industries, to replace the Gulf states' currently predominant role as suppliers of crude oil and natural gas. For example, in Qatar, Germany's Uhde construction firm has already built one of the world's largest production sites for ammonia, and the Qatar Fertilizer Company plans to vastly expand this kind of production.

Also in Saudi Arabia, the Maaden firm, which plans the world's largest phosphate-mining complex in the country's north, in combination with a huge fertilizer-production complex, may use German know-how.

A prominent German role may also be featured in Saudi railway-development projects, for some 3,000 kilometers of rail track: the east-west link, projected under the name “Saudi Arabian Land-Bridge,” from Riyadh to Jeddah, and on to Mecca and Medina; and the freight-railway project, from the Saudi Gulf port of Dammam, to the minerals resources basin in the north. The Chancellor voiced his hope that German engineers might play a “strategic role” in Saudi Arabia's railway projects, saying in Riyadh that he is eagerly looking forward to the day when Saudi Arabia signs railway con-

tracts with Germany, and that he would visit Riyadh again, to be present at the signing.

In Qatar on March 1, Schröder advertised the German maglev train Transrapid, as the ideal option for the project of a new 45-km bridge for combined highway and railway transit, across the Gulf strait between Qatar and Bahrain. A memorandum of understanding on that project was signed between Qatar and Bahrain the day before Schröder's arrival, but there is no decision yet on whether to use conventional railway technology or the revolutionary maglev technology developed in Germany. If Qatar and Bahrain decide on the maglev, the technology also has a chance of being used on a larger section of the 2,000-km railway line that is planned as the first rail link among all states on the Arabian side of the Persian Gulf.

German-Arab agreements to carry out maglev feasibility studies were signed with Qatar, Bahrain, and the United Arab Emirates, and Oman is expected to join soon. The Chancellor also offered to host a German-Arab rail/maglev conference soon, to which the Gulf leaders would be invited. This would include a test ride on the Transrapid experimental train in Lathen, Germany. The leaders of Qatar and Bahrain, who favor maglev technology, accepted the invitation.

The maglev workforce at Thyssen-Krupp in Kassel, which after the completion of the Shanghai project in China six months ago were put on short-work, waiting for the first German project in Munich to start, welcome a Gulf project. This would also re-employ many of the 5.21 million officially registered jobless Germans. The new record high in mass unemployment in Germany, which was published the day Schröder began his talks in Riyadh, was a major news item on Arabian media.



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# International Intelligence

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## ***China's Hu Jintao Seeks Peaceful Reunification***

Chinese President Hu Jintao called for peaceful reunification with Taiwan, but stressed that China will never allow secession, Xinhua reported on March 7. He was speaking on March 4 at the annual meeting of the Chinese People's Political Consultative Conference in Beijing.

"Tremendous and complicated changes have taken place on the Taiwan island in recent years, and the intensified activities of the 'Taiwan independence' secessionist forces have posed a grave impact on the peaceful and stable development of across-Straits relations," Hu said. These changes include efforts by the Taiwan authorities to pursue a "creeping independence." He warned that "Taiwan independence" could "pose a severe threat to China's national sovereignty and territorial integrity."

However, there are "new and positive factors." These include the direct charter flights set up during the New Year Spring Festival holiday, giving "certain signs of relaxation" to cross-Straits relations, Hu said.

Hu announced his four-point guidelines for relations: "adherence to the one-China principle serves as the cornerstone" of relations; never giving up "efforts to seek peaceful reunification"; depending upon the Taiwan people to support peaceful reunification; and that the Chinese people will "never compromise in opposing the 'Taiwan independence' secessionist activities."

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## ***Afghanistan's Opium Harvest Breaks Records***

A U.S. State Department released on March 4, says that Afghanistan harvested a record 4,950 tons of opium in 2004. This is 17 times the amount of the second largest opium producer, Myanmar—a target of Washington's wrath.

Earlier reports, issued by Washington prior to the Presidential election in Afghanistan last Fall, had suggested that a part of the

opium crop was destroyed by drought. As a result, the total opium harvest would have been at least 400 tons less than the 4,600 tons produced during the Taliban reign in 2000.

Three years after the ousting of the Taliban, the drug trade now accounts for between 40 and 60% of the country's economy.

President Hamid Karzai, after his election in October, pledged to wage a "holy war" on the drug trade. But the State Department reports points out that this has not worked, because Kabul "does not have sufficient power throughout the national territory to suppress it."

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## ***Abu Mazen Says Hamas Should Be in Parliament***

Palestinian President Abu Mazen (Mahmoud Abbas) told *Time* magazine that the militant Hamas movement should be represented in Parliament, and that "the wall and the Israelis" were responsible for the Feb. 25 Tel Aviv bombing, *time.com* reported on March 6. He said that Hamas, and all the militant groups, "even those in Damascus," were abiding by the ceasefire, and that the Tel Aviv bombing was carried out "by individuals."

In his first interview to an English-language publication, he said that the Palestinian Authority has already arrested five people for the bombing, adding, "If you ask me who is responsible, the Israelis are responsible. The bombers came from the Tel Aviv suburb of Tulkarem, crossing the wall. So who is responsible? The wall and the Israelis."

He underlined that democracy in Palestinian elections is *not* something that came from President Bush—the Palestinian Authority followed its own plans, and held a democratic election, as it has done before. He also said that Bush "doesn't have the right to . . . make commitments on behalf of the Palestinian people" about the final status agreements with Israel, such as the right of return.

Abu Mazen shrugged off the suggestion that "Israelis and Americans are shocked"

that Hamas might win seats in the Parliament. "Why not?" he said. "They should be in the Parliament; they will share responsibility. Israel has more than 33 political parties from right to left and in between."

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## ***British Lords Reject Blair's Anti-Terror Bill***

The House of Lords on March 10 sustained its previous big majorities against Prime Minister Tony Blair's anti-terror bill, because of its violation of basic civil liberties. As a leading British military historian noted to *EIR*, the House of Lords is no longer a collection of landed aristocrats: Those who sit there are senior political leaders of all parties, along with non-partisan senior figures from the legal and other professions, called "crossbenchers" because they do not vote on party lines. This body is roundly defying the Blair government's desperate efforts to ram its Prevention of Terror Bill through Parliament.

Existing anti-terror provisions expire on March 14. Britain is already holding a group of suspects in Belmarsh Prison. Home Secretary Charles Clarke wants to extend the current law if the new bill fails, but it is possible that will not work, since it was been condemned as unlawful by the Law Lords.

Now, the bill could go back and forth between the two Houses of Parliament (the House of Commons has voted to support Blair), possibly provoking the first big constitutional crisis since New Labor came to power in 1997.

The Lords again voted up three amendments to the bill, including a "sunset clause" requiring the bill to go back to Parliament after 12 months, by a majority of 250 to 100. They backed the Liberal Democrat amendment to give the courts the power to decide the extent of the control order imposed on a suspect, 214-125. Finally, they backed the Tory amendment to create a Privy Council committee to review how the Act works, by 225-126.

Blair said on March 9 that he would take the issue to the voters in the upcoming elections, if it did not get through Parliament.

## John Bolton Will Push Preventive War at the UN

by Michele Steinberg

John Bolton deserves “any job he wants.”  
—Vice President Dick Cheney, quoted in the *Los Angeles Times*, March 8, 2004

For those people who were still clinging to the delusion that the second George W. Bush Administration would be a “kinder, gentler” entity, the appointment of John Bolton to be the new U.S. ambassador to the United Nations should be a shock of reality. Coming at the time that the Bush Administration is in a full court press for regime change in Damascus, the appointment of the Administration’s leading WMD disinformation specialist, and the architect of the passage of the Syrian Accountability Act, is a particularly provocative gesture.

European leaders who had met just a few weeks ago with Bush, and with Secretary of State Condoleezza Rice, also took the Bolton appointment as a particular slap in the face, given his in-your-face unilateralist profile.

Let’s be clear: Liberal hand-wringing is not going to stop the Bolton nomination. Despite the outrageousness of his oft-quoted statement at a 1994 panel discussion for the World Federalist Association, that if the UN building “lost 10 stories, it wouldn’t make a bit of difference”—it is not Bolton’s dislike of the United Nations that disqualifies him.

What disqualifies him is that John Bolton doesn’t like *nations*, and wants the world to submit to an American “sole superpower.” He’s the kind of Bush Administration jackass who accuses John Kerry of telling America that we had to “ask permission” to defend ourselves from terrorism.

In a balanced administration, the UN appointment might be no big deal; but in such an *unbalanced* administration, having Bolton at the UN could endanger U.S. national security. This is especially true, because when Bolton doesn’t have the information or intelligence to back up his desired policy,

he *makes it up*—with the help of the network of neo-con lie factories like the American Enterprise Institute, the Israeli intelligence-linked Jewish Institute for National Security Affairs (JINSA), and similar outfits. Bolton’s record on WMD is shameful.

Throughout 2002, Bolton, as Assistant Secretary of State for Arms Control, lied and spread panic about Iraq’s alleged weapons of mass destruction in lockstep with his real boss, Dick Cheney. But in July 2003, Bolton went too far, and was caught red-handed trying to force-feed a pack of lies to Congress about Syria. Bolton was trying to immediately expand the Iraq War over the Syrian border, and to ram the Syria Accountability Act through Congress.

The *International Herald Tribune* and Knight-Ridder newspapers reported, in July 2003 that the CIA essentially pulled Bolton’s planned testimony to the House International Relations Committee, and spelled out its objections to Bolton’s report in a 35-page memo to Congress.

A government source told Knight-Ridder that Bolton’s testimony went way beyond anything the U.S. had ever said about Syria’s weapons programs. The CIA’s objections were so great, the source told Knight-Ritter, that Bolton’s testimony had to be killed. Bolton had prepared the way for his appearance, in June 2003, saying that the United States was “looking at Syria’s nuclear program with growing concern.” Yet the CIA’s report to Congress in April 2003, said “in principle, broader access to Russian expertise provides opportunities, should it decide to pursue nuclear weapons.” In other words, minus the spin, Syria has no nuclear program.

Without the intervention of the CIA at the time, the *Congressional Record* would have been flooded with Bolton’s raw sewage, and in the frenzy of the White House triumphalism (remember, “Mission Accomplished” and the *U.S.S. Abraham Lincoln*), the United States might have been at war

with another country—based on lies. But who is there now in the Administration to stop Bolton from lying about weapons of mass destruction and other alleged threats, now that political hack Porter Goss has purged the top CIA professionals in charge of Operations and Intelligence, and has stacked the agency with appointees who served him on the House Intelligence Committee to cover up the false intelligence reports about Iraq?

The UN podium is too big a soapbox to give to a prevaricator like John Bolton.

## **Bolton's Agenda**

Bolton is a true-believer in the neo-con agenda—a flag officer in the ranks of the Bush Administration “chicken-hawks.” When not serving in a government post, Bolton holds a number of positions to which he returns between government jobs: a director of the Project on a New American Century (PNAC), imperial dream factory for the neo-cons; board of advisors of the Likud-aligned JINSA; vice president of the American Enterprise Institute; initiator of the anti-Russia New Atlantic Initiative; activist with the Federalist Society; and fellow at the Manhattan Institute. All controlled by neo-cons and chicken-hawks.

In a March 9 article in *Common Dreams*, reporter Matthew Rothschild noted that in his State Department post, “Bolton was known as Powell’s minder . . . the neocon mole who reported back to Cheney and Rumsfeld and Wolfowitz if Powell was straying too far from their agenda.” According to a former high-level State Department source, Bolton, and his top assistant in 2002, David Wurmser, were especially keen to sabotage the work of the State Department’s Intelligence and Research (INR) section, which was the only intelligence agency to dispute the claims that Iraq possessed nuclear weapons of mass destruction. INR noted in the 2002 National Intelligence Assessment (NIE) that Iraq was *not* getting uranium from Africa for nuclear bombs. INR also proved Dick Cheney to be lying over Cheney’s claim that aluminum tubes seized (before they got to Iraq) by UN monitoring teams were obtained for nuclear weapons.

Bolton’s agenda is unilateral, preventive war, based on the 1992 “Defense Policy Guidance,” prepared when Dick Cheney was then Bush 41’s Secretary of Defense. That 1992 document became the basis for the manifesto of preventive war that appeared in 2000 as the “Rebuilding America’s Defenses: Strategies, Forces and Resources for a New Center,” published by PNAC for Dick Cheney, then running for Vice President. It became the basis for the September 2002 “Cheney Doctrine” of preventive war that led to the invasion of Iraq, and the future unilateral invasion of any other country identified as an enemy.

One of Bolton’s key playbooks is the 1996 war plan, “Clean Break,” written for then-Israeli Prime Minister, Benjamin Netanyahu by a neo-conservative team, including Bolton’s aide, David Wurmser. Other co-authors were Douglas Feith, now Undersecretary of Defense; Richard

Perle; and Meyrav (Mrs. David) Wurmser. That war plan, financed by the Jerusalem/Washington think-tank, the Institute for Advanced Strategic and Policy Studies (IASPS), for Netanyahu to deliver to a joint session of the U.S. Congress, announced a U.S.-Israeli alliance to declare war on the Palestinians, Iraq, Syria, and Iran. The Oslo treaty recognizing the Palestinian Authority was to be torn up, and “regime change” in Iraq, Syria, and Iran was to be the U.S. policy.

In 1998, to further the “Clean Break” scheme, Bolton joined with the Bush Administration warmongers, Cheney, Elliott Abrams, Richard Perle, Paul Wolfowitz, Douglas Feith, and others, in signing a letter to then-President Bill Clinton, warning him that Iraq posed “a threat in the Middle East more serious than any we have known since the end of the Cold War. . . . The only acceptable strategy is one that eliminates the possibility that Iraq will be able to use or threaten to use weapons of mass destruction. In the near term, this means a willingness to undertake military action as diplomacy is clearly failing. . . . it means removing Saddam Hussein and his regime from power. That now needs to become the aim of American foreign policy.” The neo-con disinformation mills then spent the next four years churning up faked intelligence reports to “justify” the attack on Iraq that Clinton rightly rejected.

## **Skeletons in the Closet**

In giving a free pass to Porter Goss as CIA Director, Alberto Gonzales as Attorney General, and John Negroponte as National Intelligence Director, the Senate has rubber-stamped the U.S. legalization of torture, and the use of lies and disinformation to go to war. With the Bolton nomination, it is time for the Senate to draw the line, and the leading Republicans on the Senate Foreign Relations Committee, Sen. Richard Lugar (R-Ind.) and Chuck Hagel (R-Neb.) should be commended for being wary of confirming Bolton.

Bolton is gunning for China over Taiwan; for North Korea, which demanded that he be excluded from the six-party talks in 2003; and for Iran, about which he demands military action, as he did with Iraq in 1998.

In addition, there are two immediate areas that should be opened in blocking the Bolton nomination:

- 1998 allegations that the National Policy Committee, a tax-exempt group that Bolton had headed, channelled foreign money into the Republican National Committee. A 1998 minority report by Democratic Senators of the Committee on Governmental Affairs, stated that evidence suggests “that foreign money played an important role for the RNC in the mid-term elections of 1994,” and Bolton is cited in that report.

- Payments from Taiwan: In 2002, *The Nation* magazine exposed that Bolton had received tens of thousands of dollars from a secret Taiwanese secret slush fund, to advocate independence for Taiwan. In the mid-1990s, Bolton appeared before Congress to testify in favor of relations with Taiwan, never disclosing to Congress that he was their paid agent.

# Washington Post Hits Dems on Social Security

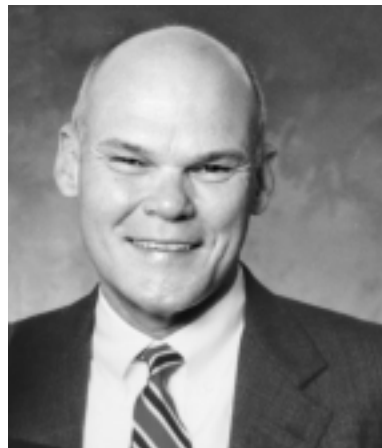
The March 8 *Washington Post* ran a front-page featured lie—one of a number it has uttered in a sly, weeks-long promotion of Social Security privatization under a “Democratic” cover—against the Democracy Corps group of James Carville and pollster Stanley Greenberg. The *Post* claimed that a report issued by Democracy Corps chided the Democrats for not putting forward their own compromise “solution” for Social Security, and warned them they would lose the battle unless they did. *Post* writer Don Balz quoted Democratic consultant Harold Ickes, somewhat incoherently, to the same claimed effect—the policy the *Post* wants to recommend to Congressional Democrats.

On the face of it, the report seemed a bit odd. Carville, it will be remembered, silenced Buckleyite Robert Novak on CNN’s “Crossfire” on Jan. 27, by demanding that Novak and the audience choose between FDR and Pinochet on Social Security; the highest-profile and most effective use of that principled issue by anyone outside Lyndon LaRouche’s movement.

Thus it is no surprise that the Carville-Greenberg report, “Social Security: A Time for Democratic Purpose and Renewal,” released March 2, does not at all say what the *Post* lyingly claimed. Though suffering from the “poll-itis” virus, the report says Democrats need to “elevate” the Social Security debate, and its first recommendation is, “The Democrats say America is only strong when we are strong at home. . . . We must invest in our own people and build our own economy. Promoting American jobs, industry, and technology is our starting point and mission.” As for the Social Security fight right now, Carville and Greenberg say, “The Democrats are surely right to wage nuclear war on Bush’s proposal.”

## Carville Versus the Post

The *Washington Post* story was headlined “Social Security Stance Risky, Democrats Told,” and sported a picture of well-known consultant Carville, alongside a photo of the Democratic Senate leadership posing around a statue of Franklin Delano Roosevelt at the FDR Memorial. After accurately quoting the recent Democracy Corps report’s chief question—“Why has the public not taken out their anger [about Social Security privatization] on the congressional Republicans and the president?”, the *Post* turns the rest of the report on its head in order to try to undermine confidence in



*Contrary to what the Washington Post reported, Carville said the Democrats couldn’t win the battle on Social Security by “constraining” their attack on the Bush-Cheney regime.*

the Democratic attack strategy.

On the contrary, Carville and Greenberg write:

“We appreciate that the Democrats had to win this first battle in order to keep the worst from happening, to be united, and to put the Republicans deep on the defensive. It is because of those successes that the Republicans are struggling to keep their first legislative priority alive, which will ultimately impact the mood about this Congress. The strongest attacks on their plan include the 40% cut in Social Security benefits, the 2 trillion dollar increase in the deficit whose cost is borne by the younger generation, the freezing of Social Security benefit levels, covering a smaller portion of retirement, and that the plan actually does not make Social Security more secure.”

“But the Democrats limit the damage to the Republicans and limit their opportunities for gain by *constraining* the attack. Total war means more than attacking the worst features of the Bush plan. It means viewing this battle as an opportunity to show what we believe.” (emphasis added)

In other words, contrary to what the *Post* says, Carville and Greenberg propose *expanding* the attack, not compromising with the President. After reviewing the “issues” of whether there’s a problem with Social Security, and whether the Democrats need their own plan, the report concludes that *principles* are likely the most important matter to be stressed. They say:

“The Democrats should elevate the battle by stating the principles that divide Republicans and Democrats on this issue. As a debate of principles, the Democrats slaughter their opponents, with 51% strongly aligning with the Democrats. Republicans confidently give voice to ideas of choice and ownership, but Democrats should speak with even greater confidence that people, after a life time of work, should be able to depend on a guaranteed level of benefits. After all, this is a battle about values and convictions. It should be joined in those terms.”

# War Crimes Was the Policy

by Edward Spannaus

Yet another report, in a series of investigations commissioned by Defense Secretary Donald Rumsfeld, has concluded that there was no systemic policy for abuse and torture, and no culpability on the part of top Administration officials, for what took place at Abu Ghraib and at other detention facilities in Afghanistan and Iraq.

Yet, the conclusions put forward in this latest report—prepared by Navy Inspector General Vice Adm. Albert Church, on Defense Department detention and interrogation policies—as well as in the previous reports, are belied by the Administration’s own paper trail, which documents a fervent search for ways to escape prosecutions for war crimes which were in the process of being committed under the policies promulgated by top Administration officials.

From the outset of the so-called Global War on Terrorism, U.S. policymakers anticipated that U.S. personnel would be committing actions defined as war crimes in violation of international treaties and U.S. law. At the beginning of 2002, as the United States was determining how to deal with prisoners captured in Afghanistan, Justice Department lawyers in the Office of Legal Counsel (OLC) prepared a memo for the Pentagon’s top civilian lawyer, DOD General Counsel William J. Haynes, in response to a request about the application of treaties and Federal law to the treatment of prisoners of war.

Already, in the second paragraph of this 42-page OLC memo, author John Yoo says that he will focus on the applicability of the Federal War Crimes Act, which defines violations of the Geneva Conventions as war crimes under U.S. law, which can be prosecuted in U.S. courts. This same memorandum, with only stylistic changes, was soon submitted to both Haynes and then-White House Counsel Alberto Gonzales.

These memos set off a furious fight within the Administration, with the State Department and the senior military leadership, including the Joint Chiefs of Staff, arguing for U.S. compliance with the Geneva Conventions.

The arguments in favor of trashing the Geneva Conventions, were then boiled down into a three and one-half page memo for President Bush, reportedly drafted by Vice President Dick Cheney’s General Counsel David Addington, in Gonzales’s name. The memo explicitly advised Bush that he and others were potentially facing “the threat of domestic criminal prosecution under the War Crimes Act.”

Two weeks later, the President adopted the recommendations made to him by Cheney’s office, the Defense Department civilians, and the Justice Department—the recommen-

dations to carry out policies that they all *knew* could be regarded as war crimes.

How can anyone, in the face of this evidence, contend that what did subsequently occur in Afghanistan, Guantanamo, and then Iraq, was simply the result of spontaneous and uncoordinated actions taken by low-level military personnel? But, nevertheless, this is what Admiral Church and others have done.

We should perhaps qualify this, by indicating that rather, this is what Admiral Church *appears* to have done. By and large, the only knowledge most people have of what Church did, is derived from the 21-page unclassified summary which was made public on March 10. But sources tell *EIR* that some people who have read the entire 400-page report, say that its content does *not* justify the conclusion of no high-level responsibility. (This was also the case with the August 2004 Schlesinger Report.) This disparity is seen as a primary reason why the full Church Report remains classified, with only the sanitized summary available to the public, thereby allowing the news media to claim that the report “exonerates” Rumsfeld et al.

## Military Lawyers Frozen Out

There was one bombshell dropped at the Senate Armed Services Committee hearing on March 10 at which Admiral Church appeared, which pertains to a hitherto-undisclosed item contained in the full secret report.

Sen. Carl Levin (D-Mich.) asked Church about the Pentagon “Working Group” on interrogation techniques, which Rumsfeld had directed Haynes to create in January 2003; this was composed of “experts” from the civilian side of the Pentagon, and the top lawyers from the uniformed military services.

Levin disclosed that the Working Group and its military lawyers were stopped from developing their own legal analysis, and were told that they must adopt the legal argument contained in a March 14, 2003 memorandum from the Justice Department’s OLC, written by John Yoo. That memo’s conclusions were nearly identical to the most infamous of the Torture Memos—the August 2002 OLC memo by Jay Bybee, which contended that for physical pain to amount to torture, it had to be equivalent in intensity to the pain accompanying “organ failure, impairment of body function, or even death.”

According to statements made by both Senators Levin and Edward Kennedy (D-Mass.), the military lawyers, includ-

ing the Judge Advocates General (JAGs), argued for adherence to the Geneva Conventions and other international treaties, and for compliance with U.S. law. They were overruled by DOD General Counsel Haynes, who instructed them that the DOJ opinion was binding on them, and must be regarded as the “controlling authority.”

One former military legal officer has described Haynes’s attitude toward the JAGs as “sit down and shut up”—which comports with the description reportedly given in more polite terms in the Church Report.

About six weeks after the Working Group was ordered to drop their objections and to adopt the DOJ/OLC memo, a number of the military participants made contact with officials of the New York City Bar Association, and subsequently met with one of those officials, attorney Scott Horton. According to many accounts, the military lawyers told Horton that they were being frozen out of the process of formulating policy for interrogations, and that the military’s 50-year tradition of adherence to the Geneva Conventions was in jeopardy.

### **What’s in the March 2003 Memo?**

The March 14, 2003 Yoo memorandum was apparently considered so sensitive, that participants in the Working Group were not provided copies of it, or even allowed to take notes on it. And even after the Bybee memo and other Yoo memos were made public, Admiral Church and his staff were still not allowed to copy the March 2003 memo, and initially they could not even take notes on it. It is still apparently too sensitive to even include in the classified version of the Church report.

As to what specifically makes March 2003 memorandum so hot, some people believe that it may contain the OLC’s arguments that the President can override or ignore the Uniform Code of Military Justice (UCMJ), the Congressionally enacted legal code for the military, which strictly prohibits any abuse of prisoners. Just as Yoo and others had argued earlier that the President could ignore the Geneva Convention, the international Convention Against Torture, and the U.S. anti-torture statute, they may have felt the need to make the same arguments with respect to the UCMJ.

The need for immunity from the UCMJ had come during the debate over interrogation methods which took place in the Fall of 2002, when the legal advisor to the commander at Guantanamo had cited at least ten articles of the UCMJ which could be violated by proposed interrogation techniques. Lt. Col. Diane Beaver, the Staff Judge Advocate to then-commander Maj. Gen. Michael Dunleavy, urged consideration of this in an Oct. 11, 2002 memorandum, in which she suggested that “It would be advisable to have permission or immunity in advance . . . for military members utilizing these methods.”

Beaver’s memo was one of the documents which fed into Rumsfeld’s decision to establish the Working Group a few months later.

New York attorney Scott Horton thinks that this may be



*Vice Adm. Albert Church, the Navy Inspector General, prepared the latest whitewash report on Pentagon interrogation and detention policies. His full report remains classified, and even Congressmen are denied access to it.*

the subject of the March 14, 2003 memo. “The missing piece in all of this so far,” Horton told *EIR*, “is how did they set aside the clear-cut criminal provisions of the UCMJ?” Horton thinks that it is reasonably clear that that is what the still-secret memorandum does. “There is no *even plausible* legal argument that would support the legal conclusions that Yoo obviously put forward,” Horton continued. “It’s essential now, that we actually see this document and what it says,” Horton said, adding that since it is a statement of legal policy, there is no tenable basis for keeping it secret.

Horton also points out that this was the issue that Sen. Lindsey Graham (R-S.C.) focussed on, during his questioning during Alberto Gonzales’s confirmation hearing for the post of U.S. Attorney General on Jan. 6. Graham brought up the matter of the disputes in the Working Group, noting that the interrogation methods that were being proposed would potentially put troops in violation of the UCMJ and subject them to court martial.

At the March 10 Senate hearing, Senator Levin told Committee chairman Sen. John Warner (R-Va.), that the committee has a right to the March 14, 2003 document, and that “not to have a copy of that memo is totally unacceptable.” Warner responded that unless there is Executive Privilege attached to such documents as this, Congress should have them, and he promised that he “will look into this.”

### **Pressure From the Top**

While Admiral Church was telling the Senate committee that there was no policy from the top which was responsible for the pattern of abuse of detainees, the American Civil Liberties Union was making public more documents, obtained under a Freedom of Information Act lawsuit, which demonstrate just the opposite.

Notable among these, is the 200-page deposition of Brig. Gen. Janis Karpinski, whose Military Police Brigade was originally in charge at Abu Ghraib. When Guantanamo com-

mander Maj. Gen. Geoffrey Miller was sent to Iraq in August 2003 by Rumsfeld, Rumsfeld's deputy for intelligence Stephen Cambone, and Cambone's deputy Gen. William Boykin, Miller insisted on removing control of Abu Ghraib from Karpinski so he could "GITMOize" the operation there. Karpinski testified that Miller said he was there to apply the interrogation techniques used at Guantamamo, to Iraq. She said that Miller told her and others, "You have to treat these detainees like dogs."

Karpinski said that there was no arguing with Miller. "He was on a mission. He told me he had permission from General Sanchez," the top Commander in Iraq.

According to another source, Gen. Ricardo Sanchez was getting phone calls from Rumsfeld while Miller was there, and Sanchez gave Miller everything he wanted. The cellblock for "high-value detainees" was put under the control of Military Intelligence, and the pressure from Sanchez and from Washington (Karpinski specifically cites Cambone) intensified enormously. It was within a months of Miller's visit, that the worst documented (and photographed) abuses began to take place at Abu Ghraib.

For many months, there has been a systemic campaign to discredit Karpinski, and now, *EIR* has been told, defenders of Rumsfeld and the Administration are also planning to launch a smear campaign against Sen. Jay Rockefeller (D-W.Va.), the leading Democrat on the Senate Intelligence Committee, and Sen. Carl Levin of the Senate Armed Services Committee. They will be accused of being unpatriotic and "undermining our troops," because of their pressing for a full investigation of the torture issue.

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## Documentation

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# Senators Ask About Secret Justice Department Memo

*Following are excerpts from the hearing of the Senate Armed Services Committee hearing on March 10, in which Senators Carl Levin and Edward Kennedy asked Vice Adm. Albert Church about the still-secret Justice Department memorandum on interrogation policy, to which the military lawyers in the Working Group had vehemently objected.*

**Senator Levin:** Admiral, according to your report, in response to a JCS Joint Staff request for comments on the request for Guantanamo commanders in November of 2002 for authorization to use more aggressive interrogation techniques, military service lawyers expressed "serious reservations" about approving the proposed interrogation techniques

without further legal and policy review. What was the nature of their serious reservations?

**Admiral Church:** They felt that the techniques were too aggressive, that it needed additional legal review to see if they were, in fact, lawful. . . .

**Senator Levin:** OK now, there was a Department of Defense Working Group on interrogation techniques which was initiated in January 2003. And that working group ultimately recommended interrogation techniques for use against enemy combatants. And most of the recommendations were adopted. However, as you note in the body of your report, you show that the working group, in which military lawyers were participating, was stopped from developing its own legal analysis and instead, was required to accept the legal analysis contained in a memorandum from the Justice Department's Office of Legal Counsel, a memorandum in which the working group strongly disagreed. According to your report, that memo, entitled "Military Interrogation of Alien Unlawful Combatants" was prepared by Deputy Assistant Attorney General John Yoo for Department of Defense General Counsel Haynes, and that memo had a date of March 14, 2003. This memo was presented, as your report indicates, to the Working Group as "controlling authority" on all legal issues. . . .

Access of Working Group members to this memo was apparently restricted, as you noted, and no notes were permitted. You also noted that conclusions of that memo are nearly identical to those of the Aug. 1, 2002 Office of Legal Counsel memo which is known as the Torture Memo, which the Administration avowed in the middle of—disavowed in the middle of last year, which among other things concluded that for physical pain to amount to torture, it had to be equivalent to the pain accompanying "organ failure, impairment of bodily functions, or even death." So, basically that Working Group in the DOD was told they had to follow this March 14 memo from the Deputy Assistant Attorney General Yoo to Mr. Haynes. My question is, did you have access to that March memo?

**Admiral Church:** Yes sir, we did.

**Senator Levin:** And do you have a copy of it?

**Admiral Church:** No sir, we did not get a copy. We were—we went and read it and took notes—

**Senator Levin:** Were you allowed to take a copy of it?

**Admiral Church:** No sir, we, they didn't—we were not to take a copy.

**Senator Levin:** So even in your classified report, there is no copy of that memo. Is that correct?

**Admiral Church:** That's correct, sir. . . .

**Senator Kennedy:** On page 124 on your report, Admiral Church, on the unclassified paragraphs you describe the initial meetings of Haynes Working Group and their briefing from the Office of Legal Counsel on the applicable law. Your report states that fairly early in the Working Group process, the OLC draft legal memorandum was presented to the action officers

as the “controlling authority” for all questions of domestic and international law. This memorandum was basically the Bybee Torture memorandum, and you said that the Working Group expressed a great deal of disagreement with the OLC analysis. In your report, you write that members of the Working Group were only permitted to read the memoranda in Mr. Haynes’ or Ms. Walker’s offices, initially without taking notes. In addition you write that your investigators were not allowed to obtain this crucial memorandum either, but only could review it without taking verbatim notes. This memo has never been provided to the committee, despite our requests. This issue also highlights the involvement of Mr. Haynes. Now the memo was—you said the Working Group expressed a great deal of disagreement of the OLC analysis. They said interrogation techniques should follow Geneva Conventions, the conventions against war and U.S. law. Now that’s not what the Haynes group finally recommended. . . .

The point I am trying to find out is, who made the judgment? When you had talk about a great deal of disagreement with the OLC, who was the one who made the call on this? Who was the one that finally said, when there was disagreement—in your own words, a great deal of disagreement—and as we all know that from other memoranda, there was an enormous amount of disagreement. Someone finally made the call that what they were going to do is in the Working Group, they would actually print exactly the words in Bybee memorandum. I’m just asking you who made that call.

**Admiral Church:** I believe the answer was, the Office of the General Counsel.

**Senator Kennedy:** That’s Mr. Haynes?

**Admiral Church:** It is. . . .

**Senator Levin:** Thank you, Mr. Chairman. There’s been reference to a very critical memo here that you were able to look at but not take a copy of, and that’s that March 14th memo prepared by Deputy Assistant General Mr. Yoo for Mr. Haynes.

Mr. Chairman, we have a right to that memo. I think the Admiral had a right to have a copy of that memo, but that’s up to him to decide. But this committee has a right to that memo. And I would ask that we, on an urgent basis, get that memo. . . . It was a key part of this whole interrogation decision. It was a memo which was the controlling memo, despite the concerns of the lawyers inside of the military.

And I would ask you, Mr. Chairman, that we make a formal request for a copy of that memo. Obviously if they want to give it to us on a classified basis, that’s one thing. But not to have a copy of that memo is totally unacceptable. And I’m afraid it’s too typical of a very great reluctance on the Department’s part to be fully supportive with documentation which has been requested on other occasions by us. . . .

**Senator Warner:** In our long working relationship of 27 years on this committee, I feel that the Congress is a co-equal branch, and as such, unless there’s Executive privilege attached to certain documents, the Congress should have them. And I will look into this.

# Arnie’s Lies Can’t Hide Shultz’s Fascism

by Harley Schlanger

When George Shultz threw his not inconsiderable weight behind Arnold Schwarzenegger’s candidacy for Governor of California, it was said that he did so because he agreed with former Gov. Pete Wilson, that Arnie “has the stomach” to impose the harsh medicine that Wall Street has prescribed for the state’s economy.

Shultz, who co-chaired the campaign and runs the Governor’s Council of Economic Advisers, has given Arnie his marching orders: Impose drastic austerity, through budgets cuts targetting health care, human services, and education; take power out of the hands of the legislature, through use of referenda/plebiscites, and a redistricting scheme like Rep. Tom DeLay carried out in Texas; tear down the government, through “administrative reform,” which Schwarzenegger calls “blowing up the boxes”; and loot the state, through reimposing electricity deregulation, and “pension reform”—i.e., privatizing the state public employee pension funds.

In his first year in office, Schwarzenegger’s main accomplishments were adding \$15 billion to the state’s total debt, and paralyzing the state legislative process, through intense partisan attacks against Democrats (remember his charge that those who opposed him are “girlie men”?), and threats to use his celebrity status to force reforms through by referenda, to “go over the heads” of elected legislators.

It was in his State of the State address on Jan. 5, 2005, that Schwarzenegger made it clear that he would implement Shultz’s fascist austerity policies, looting what was still viable in the state’s physical economy, and grabbing whatever income stream was still flowing.

The most crucial piece of Shultz’s agenda was the pension grab, for the same reason that Shultz’s other golem, George W. Bush, was fixating on privatizing Social Security: to divert the funds, which had been promised to retirees, to the bankrupt Wall Street predators.

## The Great Pension Swindle

As details of the public pension “reform” plan touted by Schwarzenegger begin to emerge, the would-be Terminator of government is being confronted by growing opposition. At every stop of his fundraising tour the week of March 7, in Ohio, New York City, and Washington, D.C., he was greeted by aggressive demonstrators, while on the home front, in California, Democrats are becoming bolder in taking on the lies which flow effortlessly through Arnie’s synthetic teeth.



At the forefront of the opposition is the LaRouche Youth Movement (LYM), which is committed to circulating 1 million copies in the coming months of the LaRouche PAC pamphlet, "Bush's Social Security Fraud: Stop George Shultz's Drive Toward Fascism!" The pamphlet features the parallels between Schwarzenegger's pension reform and the plan to steal Social Security being pushed by President Bush—parallels which are not surprising, given that the mastermind of these two scams is the same George Shultz who coordinated the theft of the pension funds of the Chilean people under military dictator Gen. Augusto Pinochet, beginning in 1981.

As *EIR* has been documenting, there is little that the Governor says, in pushing his plans, that is true. From the outset of the Recall election against Gov. Gray Davis in 2003, his campaign was based on lies. His pledge that he would not accept contributions from entities with an interest in policies was broken almost the minute he made it. His statement that contributors to his campaigns would have no influence on his policies was just another lie, as was his oft-repeated boast that he is the "people's Governor," working against "special interests."

In his first year in office, he betrayed many promises he had made, including his pledge to restore more than \$2 billion in education funds in his 2005-06 budget, if teachers accepted no increase in his first budget. However, for Fiscal Year 2005-06, he did not restore the funds. He also reneged on his agreement to lower the patient-to-nurse ratio, threatening to "kick the butts" of nurses if they protested. Instead, his butt was kicked, as a court ruled against him the first week of March, in favor of the nurses.

With this record, it should therefore surprise no one that his claim that his program to overhaul the state's public employees' pension system is designed to save the state money and give retirees a better future is nothing but another lie. An investigation of the pension "reform," proves it is nothing but a scheme to hand billions of dollars to the Wall Street allies of Shultz.

### **Schwarzenegger's Lies Refuted**

Schwarzenegger insists that his only concern is to make the pension fund more efficient, giving state employees "ownership" of their retirement funds, while lowering the cost to the state.

A review of the record of the two state funds he intends to privatize, CalPERS and CalSTRS (the general state employees' fund and the teachers' fund, respectively), shows that the two funds are already highly efficient. A report produced by George Diehr, a professor of business administration at California State University, San Marcos, and a member of the CalPERS board, offers evidence of that efficiency. The assets of CalPERS grew from \$28.6 billion in Fiscal Year 1984-85 to \$161.4 billion as of Fiscal Year 2003-04. In those 20 years, the average return was 11%, which is above the average of most privately run funds, including those which

would be handling the individual 401(k) plans if Schwarzenegger's initiative passes.

Diehr points out that CalPERS administrative cost is 18¢ per \$100 invested, while the brokerage and securities firms which would handle the privatized funds charge \$2 per \$100 invested. Thus, money would be diverted from the retirees to the investment firms, many of which are big contributors to Arnie.

Schwarzenegger's contention that the cost to the state is becoming prohibitive is refuted by figures compiled by Diehr. In the last decade, 76.2% of the fund growth has been made from investment returns. An additional 12.7% came from employee contributions, while employers—i.e., the state agencies—provided only 11.1%. Thus, the overall increase in costs to the state is less than that which is paid by the employees.

Schwarzenegger was stung by another analysis released by Attorney General Bill Lockyer, whose official summary of the Schwarzenegger pension reform plan shows that it would eliminate death and disability benefits, because it would eliminate the system which provides the benefits.

### **Killing the State**

Lockyer's analysis came under attack immediately by Arnie's teams of psychological warfare specialists, which tried to dismiss the criticism by whining that this is just a partisan attack, and that such matters could be "worked out later." Lockyer's position was defended by his spokesman Nathan Barankin, who told the *Los Angeles Times* that Arnie "thinks governing is like marketing, like we're some late-night infomercial peddling the latest get-thin-quick scheme."

The president of the Los Angeles Police Protective League, a union which represents Los Angeles Police Department officers, backed up Lockyer's contentions. He pointed out that eliminating the death and disability benefits, which are part of the current public system, "would leave the family of a slain officer nearly destitute." He and others point out that no insurance company would provide the degree of services and benefits that the current system can. Eliminating these benefits would make it more difficult to attract qualified people to public service.

This new exposé provides additional evidence that the Governor cares nothing about the "people," whom he insists he is defending against "special interests." Instead, he intends to destroy government programs which offer the last line of defense against the real special interests: those funding Arnie.

Schwarzenegger defiantly confirmed this in an interview with the *Sacramento Bee*. He said, on Jan. 19, "We don't want to feed the monster. We want to feed the private sector, and we want to starve the public sector."

This paraphrase of Hitler's favorite philosopher, Nietzsche, who called the state the "cold monster," accurately reflects the view of California's Governor. It is not enough to defeat his "four reforms": He must be brought down with them.

# Supreme Court Majority Bars Death Penalty for Minors

by Nancy Spannaus

The March 1 decision by the U.S. Supreme Court majority, declaring that the execution of minors under the age of 18 is unconstitutional, represents another step toward bringing the United States back into the moral community of nations. Whereas most countries in the world have celebrated their liberation from oppression by banning the death penalty, the United States has remained a notorious example of retributive justice. At least 72 death row prisoners, who committed their crimes when they were under 18, are expected to be reprieved by this ruling—many of them in President Bush’s home state of Texas.

The Court decision, written by Justice Anthony Kennedy, reverses a ruling made in 1989 which okayed execution of minors over the age of 15. The current decision was endorsed by a 5-4 majority, including Justices Kennedy, Breyer, Ginsberg, Souter, and Stevens. Opposing, virulently, was Justice Antonin Scalia, who was joined by Thomas and Rehnquist. Justice Sandra Day O’Connor wrote her own, milder dissent from the majority.

## Evolving Standards of Decency

What allegedly enraged Scalia was the fact that the Justices actually changed the Court’s ruling of 15 years before, without there having been an overwhelming outpouring of opposition, especially in state legislation, against executing minors over the intervening years. Only five states had passed legislation against it, Scalia railed. And that meant that only 47% of the states overall opposed executing juveniles, hardly enough to ban the practice, according to Scalia’s way of thinking.

In fact, Scalia was carrying out a sleight of hand to make this argument. For if you consider the 12 states which have banned capital punishment altogether, and add them to the 18 which have banned judicial murder of juveniles, that makes 30 states, or 60% of the states, against the practice. Scalia thinks that those states which oppose all capital punishment shouldn’t count.

While the numbers game seems crass, it does have its justification in law. The basis for the Justices’ banning was the Eighth Amendment to the U.S. Constitution, which prohibits “cruel and unusual punishments.” Thus, the less “usual” the execution of minors (a practice generally regulated by state statute) becomes, the more it rises to the standard of violating

the Amendment. In addition, the Federal Death Penalty Act which passed in 1994, determined that the death penalty should not be extended to juveniles.

Scalia, however, insists that whatever punishments were constitutional in the 18th Century, should be constitutional today. Being a textual literalist, he easily adopts a fascist “rule by force” approach.

Thus, when Justice Kennedy evoked the propriety and necessity of referring to “the evolving standards of decency that mark the progress of a maturing society,” as a context for the decision, Scalia went ballistic. Scalia doesn’t believe in “evolving standards of decency,” not for himself, or anyone else.

## The Deeper Issue Involved

The philosophical state of mind which Justice Scalia (known to be a candidate for Chief Justice, should the ailing Justice Rehnquist leave the bench under the Bush Administration) demonstrates, should be a matter of deep concern to all Americans. Scalia denies the very basis for abiding by the Constitution, by rejecting the foundation upon which it was based: the understanding of the right, and obligation, of every individual to do good, and the recognition that these rights and obligations should constantly be *improved*. To have such a conception of the Constitution, of course, requires a recognition of the nature of man, as a creature of reason, made in the image of the Creator.

Scalia demonstrates his rejection in a myriad of ways. The most fundamental one, which was elaborated in some detail by Lyndon LaRouche in a 2000 article devoted to Scalia’s philosophy, is his denial of the role of *intention* in law. If you reject the purpose for which a law has been passed, you are left with a set of positive proscriptions, with no principles involved. You have taken the *soul* out of the law.

The very first words from Scalia’s pen, in his dissent in this case, exemplify this actually fascist approach. Scalia starts off by quoting Alexander Hamilton’s Federalist Paper No. 78, which outlines the case for a life-tenured Supreme Court. According to Scalia, Hamilton argued that the judiciary would be “bound down by strict rules and precedents which serve to define and point out their duty in every particular case that comes before them,” and therefore would never *change* a judgment such as the application of the death pen-

alty. But nothing could be further from the truth! Hamilton's own conception of law (and laws), went to the heart of the principle and purpose involved, rather than sticking to formal procedures and precedents.

Exemplary is the fact that Hamilton considered the Constitution to permit, if not mandate, the creation of a National Bank, as a necessary means of providing for the sovereign needs, and the *general welfare* of the nation. Hamilton was not a strict constructionist, but looked to the purposes for which the institutions of our government were established, for the improvement of our people. In an extreme case, Hamilton even recommended against fulfilling the Treaty of Paris provision for the return of slaves freed by the British, to the South. His respect for human freedom, a principled value, led him to dismiss the "rights" to property.

There is no question but that Scalia's method would have led him to make just the opposite ruling from Hamilton. This is a judge who would even support executing a man who could prove his innocence, if he had not gotten the paperwork in on time. In his view, refusing to follow strict procedure, would lead to "subjectivity," and thus would be disallowed.

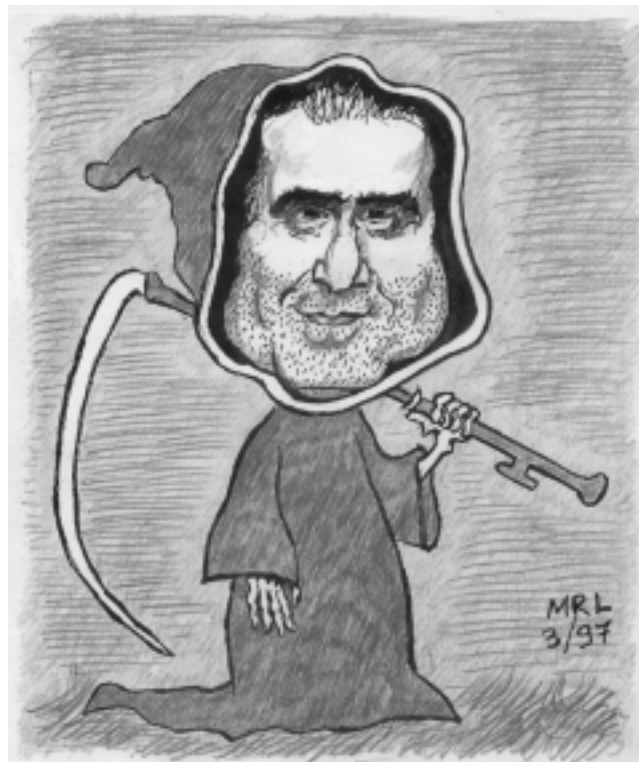
Behind Scalia's clinging to literal text and precedent, however, lies a much more evil method and intent: specifically, the doctrine of law as the assertion of arbitrary, irrational force. When it comes right down to it, Scalia believes that the imposition of such force by the state is what creates "order" in society, and he fully embraces the use of "retribution" against those who have broken the law. Retribution is not the purpose of law in a society which respects the sacredness of human life; rather, the purpose is both the protection of society and the rehabilitation of the criminal to that end. After all, this is a nominal Catholic who has attacked the Pope for having come out against the death penalty in the recent Catechism.

Put it all together, and Scalia's arguments for "tradition," "precedent," "stability," and "objectivity" amount to an argument for fascist law, pure and simple.

### **A Basic Precept of Justice**

Justice Kennedy, however, stood firm. "The Eighth Amendment guarantees individuals the right not to be subjected to excessive sanctions," he wrote. "The right flows from the basic precept of justice that punishment for crime should be graduated and proportioned to [the] offense. By protecting even those convicted of heinous crimes, the Eighth Amendment reaffirms the duty of the government to respect the dignity of all persons."

He went on: "The prohibition against 'cruel and unusual punishments,' like other expansive language in the Constitution, must be interpreted according to its text, by considering history, tradition, and precedent, and with due regard for its purpose and function in the constitutional design. To implement this framework we have established the propriety and affirmed the necessity of referring to 'the evolving standards



*Antonin Scalia executes the law.*

of decency that mark the progress of a maturing society' to determine which punishments are so disproportionate as to be cruel and unusual."

### **The Next Step?**

This ruling reflects a decided move by the Court away from the horrendous descent into barbarism which has been reflected in decisions that approved executions for the mentally retarded, and even for those individuals who had proof of their innocence, which had not been heard for a variety of reasons. In 2002, the execution of the mentally retarded was finally banned. In part, this current decision depended upon the reasoning in that case, as Justice Kennedy argued that youth under 18 were not considered mature enough to be held as responsible for their actions, as were adults.

Clearly affecting the climate has been the hard-won overturning of more than 100 death-row cases by anti-death-penalty activists, who have shown the innocence of detainees through DNA evidence, or other methods. Increasingly, states, and the Federal government, are allowing more prisoners to seek exoneration through the use of DNA evidence.

It is still a long step from these measures, to the principled opposition to the state taking human life, which has been established in international legal codes at the United Nations, and in most nations of the world. It is to be hoped "evolving standards of decency" will take us to that position as soon as possible.

# DeLay Is Nervous; Pals' Legal Troubles Mount

by Harley Schlanger

House Majority Leader Tom DeLay (R-Texas) is getting even more worried, as the legal noose tightens around the necks of the flunkies who are alleged to have laundered money on his behalf. A civil case was heard in Austin the first week in March against Bill Ceverha, the treasurer of Texans for a Republican Majority (TRMPAC), who is being sued by five Democrats who lost races in the 2002 elections for the Texas House of Representatives to Republicans who received money from TRMPAC.

The legal issue being raised is whether the \$190,000, which was delivered to the five Republicans, was money from corporations which was laundered through the Republican National Committee (RNC). The funds were originally donated by corporations to TRMPAC, which then gave the money to the RNC, which then turned around the exact amount in contributions to the five GOP candidates. The election of these Republicans gave their party the majority in the state legislature, allowing DeLay to ram through a politically biased redistricting plan; this resulted in a Republican gain of four seats in the 2004 Congressional elections.

The \$190,000 was part of almost \$600,000 which TRMPAC gave to a total of 23 Republicans in Texas in 2002. Under Texas law, corporations are forbidden from making contributions to candidates.

Among the witnesses in the Austin trial was Trevor Potter, a former chairman of the Federal Election Commission, who had been appointed by President George H.W. Bush. Potter described TRMPAC as a "highly sophisticated political operation" that violated election laws. He said the turnaround of \$190,000 was especially disturbing. A verdict in the civil suit is expected in the next two to six weeks.

While DeLay claims the suit is "frivolous," adding, "I'm not watching it at all," he is clearly nervous, as there is also a continuing criminal grand jury investigation into TRMPAC, and several of his key operatives were indicted by Travis County (Austin) District Attorney Ronnie Earle last year. One of those is Jim Ellis, who founded TRMPAC, and currently heads DeLay's "Americans for a Republican Majority." The trial of Ellis and other DeLay flunkies is still pending.

When DeLay accused Earle of trying to "criminalize politics," Earle quipped that being accused of partisanship by DeLay is "like being called ugly by a frog."

## Abramoff Is Target of Probe

DeLay is also under scrutiny for his relationship to sleazebag "lobbyist" Jack Abramoff, an old ally, who is being investigated for extorting money from Indian tribes involved in casino gambling.

According to *The Hill* newspaper on March 1, the Justice Department has subpoenaed records from a GOP lobby group, the Council of Republicans for Environmental Advocacy (CREA), founded by Grover Norquist of Americans for Tax Reform, and former Secretary of the Interior Gale Norton. The targets of the investigation are Abramoff and his partner Michael Scanlon, a former chief aide and press spokesman for DeLay. The interagency task force investigating Abramoff-Scanlon includes the FBI, the IRS, the public integrity section of the DOJ, and the Interior Department's Inspector General. Abramoff allegedly squeezed tribes that had hired him for work on their gambling casino operations, to give money to CREA; the money was attributed to interest in environmental concerns, but investigators believe it was only because CREA was "close to the Interior Department" and would be useful in arranging favorable decisions for Abramoff's interests.

As *EIR* reported, last November, the Senate Indian Affairs Committee held hearings on the schemes of Abramoff and Scanlon, who received millions of dollars from the Coushatta tribe of Louisiana, to lobby against the opening of rival casinos across the border in Texas. The pair secretly paid millions of dollars of this money to Abramoff's protégé, Christian Coalition founder Ralph Reed, to persuade his religious fundamentalist networks in Texas to campaign to close the Tigua Indians' casino in El Paso, Texas. When the Tigua casino was closed, Abramoff volunteered to work for that tribe for free, to help them reopen it. They paid Scanlon's public relations firm \$4.2 million, which he secretly split with Abramoff, according to testimony at the hearings.

## DeLay Runs a Purge

Now, after being admonished by the House Ethics Committee three times, DeLay's strong-arm attack on Ethics Committee Chairman Rep. Joel Hefley (R-Colo.) has backfired. The vindictive DeLay had him removed, followed by the firing, the first week in March, of the staffers who did the investigation. Hefley fired back, telling the *Denver Post* that DeLay ran a "purge" that turned his departure "into a fiasco."

The decline in his margin of victory in the recent election has also unnerved DeLay. He is opening a second office in his district and is spending his weekends home campaigning. With his 2004 opponent, Richard Morrison, already hitting the campaign trail, and the LaRouche Youth Movement mapping out a major offensive to defeat him, the "aura of power" has eroded, and DeLay, who is a leading backer of the Shultz-Bush scam to steal Social Security, may soon find himself out of the Congress, reliving his previous existence—exterminating bugs, not people.

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## Army Recruitment, Black Enlistments Drop

African-Americans are no longer so enthusiastic as they once were about joining the Army, according to the Army newspaper *Stars and Stripes* on March 4. A major reason why Army recruiting has fallen 27% below quotas is that black enlistments have dropped precipitously, by 41%, over the last few years. In 2000, some 23.5% of all enlistees were black. That percentage has fallen to 13.9% for the first four months of Fiscal 2005.

Maj. Gen. Michael D. Rochelle, the commander of the Army Recruiting Command, did not attribute the drop to any single factor, but said the war in Iraq and the views of parents, teachers, coaches, clergy and other “influences” are major factors. Officer recruitment is being hit, too, with black enrollment in the Reserve Officer Training Corps (ROTC) program down by 36% since 2001.

For Rep. Charles Rangel (D-N.Y.), there’s no surprise at all in the Army’s statistics. “I have not found a black person in support of this war in my district. The fact that every member of the Congressional Black Caucus emotionally, politically, and vigorously opposes this war is an indication of what black folks think throughout this country,” he said.

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## U.S. To Set Up Nine Bases in Afghanistan

The United States is in the process of setting up nine military bases throughout Afghanistan, Indian intelligence sources told *EIR*. There will be one each in Helmand, Nimrouz, and Herat (all close to the Iranian borders in the south and southwest); one each in Mazar-e-Sharif and Balkh (in the north, near the Tajik and Uzbek borders); and two each in the Jalalabad/Khost area and Paktika (in the east, close to the Pakistan border).

The decision was made during the last

visit of U.S. Defense Secretary Donald Rumsfeld to Afghanistan. The Pentagon has reportedly come to the conclusion that its ally, Afghan President Hamid Karzai, has gotten weaker, and could be overthrown by the Taliban in combination with Gulbuddin Hekmatyar in seven to eight months, if the United States does not succeed in bringing up an Afghan army of significant size during that timeframe.

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## Democratic Think-Tank Debates Nuclear Power

The Center for American Progress, the Democratic think-tank headed by former U.S. President Bill Clinton’s long-time friend and last White House chief of staff, John Podesta, hosted a debate on March 3 on the future role of nuclear power in the world.

The significance of this event was more in its occurrence, suggesting a readiness by some leading Democrats to shift past policies and consider the nuclear power option, than in the presentations made. Podesta brought together three speakers from across the nuclear spectrum: Dr. Burton Richter, nuclear proponent, past director of the Stanford Linear Accelerator Center, and recipient of the Nobel Prize for physics; Dr. John Deutch of MIT, veteran of a top position at the Department of Energy (from where he killed the fusion program), and long-time advisor to Presidents on nuclear energy matters; and Dr. Thomas Cochran from the environmentalist Natural Resources Defense Council, a nuclear naysayer and member of numerous DOE and nuclear weapons advisory committees.

The speeches were severely constrained by adherence to the accepted axioms regarding nuclear non-proliferation and global warming, but several questions from the audience broke through to more fundamental considerations.

*21st Century Science & Technology* magazine editor Laurence Hecht got in the first question, postulating the necessity for nuclear power to overcome the misery of life in the Third World, and calling on the Democratic Party to carry out its role in defending the General Welfare by fighting for nuclear

power. The question provoked the visible discomfort of the NRDC’s Cochran, but was taken seriously by the chair.

An audience member brought up the unmentioned nuclear power source—fusion energy—and asked the panel for their thoughts on its feasibility. Nuclear opponent Cochran was emphatic that it wouldn’t happen in his lifetime, and therefore should not be funded. *21st Century* reporter Christine Craig chastised him for his pessimism, assuring him that humanity would last beyond his lifetime, and that such technologies for the next century should be developed, along with the cadre of scientists and technologists necessary for their implementation. The anti-nukes in the audience seemed to recognize that this was not the place for hysterics, and tended to silence or softball opposition.

All the speakers and about half the audience received the Spring 2001 *21st Century*, with “LaRouche’s 25-year Solution to the Energy Crisis” on the cover, and/or the latest *EIR*.

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## GAO Sees Threat Of ‘Agroterrorism’

Imported food may be vulnerable to “agroterrorism,” says a report from the U.S. General Accounting Office issued on March 8. The document shows how the number of inspections of imported food has been reduced since the Department of Homeland Security took over in 2003 from the Department of Agriculture. In 2002, the Department of Agriculture conducted 40.9 million inspections of imported foods; in 2003, 37.5 million inspections were done, though imports of foods increased.

This drop in the level of inspections prompted experts to underline the relative ease with which highly contagious diseases can be introduced into livestock and crops.

The GAO report also found that the Agriculture Department does not use rapid detection equipment to test animals at the site of disease outbreak. The USDA stores vaccine for foot-and-mouth disease, but the vaccine cannot be deployed within 24 hours of an outbreak, since it is not stored in ready-to-use condition.

## Bankruptcy Reform Bill On Its Way to Passage

The bankruptcy reform bill that the Senate began debating on March 1, cleared an important hurdle on March 8, when the Senate voted 69 to 31 to invoke cloture, thereby assuring that the bill would not be subject to a filibuster and limiting debate to 30 hours before a final vote on passage. Over the previous week, Senate Republicans also successfully blocked amendments that would have provided protection for medical debtors, for those providing care to ill or disabled family members, to military families experiencing hardship because of military deployment of a family member, to elderly bankruptcy-filers to allow them to keep their homes, and to protect those who have lost their retirement savings or pension plans due to a major corporate bankruptcy.

The bill makes it easier to move chapter 7 bankruptcy-filers into chapter 13, which requires the debtors to agree to payment plans of 3-5 years on at least a portion of their debts. It also turns bankruptcy law on its head by presuming that anybody who files for bankruptcy is an abusive filer and forces them to take a means test in order to prove otherwise.

Just before the cloture vote, Sen. Edward M. Kennedy (D-Mass.) called the bill an "embarrassment" to anyone who votes for it, because it is a bonanza for the credit card companies and a "nightmare for the poorest of the poor and the weakest of the weak." He accused the Republican leadership of bad faith for promising to allow negotiations on improving the bill once it got to the Senate floor. "But now, there has been no good faith at all," he said. Instead "the Republican leadership has invoked the strictest possible party discipline," going so far as to block "constructive" amendments sponsored by Republicans.

## House Begins Work on 2006 Budget Resolution

On March 9, the House Budget Committee began marking up President Bush's Fiscal 2006 war and austerity budget. House Budget Committee Chairman Jim Nussle (R-Ia.) left no doubt that this year's budget resolution is based entirely on fantasy about the economy, with his declarations of strong sustained growth, record high employment, and a future of nothing but sustained expansion. Still, there's no room in the budget for social justice. The non-defense, non-homeland security portion of the discretionary spending is to be held to a minuscule 0.8% increase for Fiscal 2006, and Nussle promised that the resolution will instruct the authorizing committees to reform mandatory spending programs in order to "slow the unsustainable growth" in those programs. The budget plan also includes a \$50 billion reserve fund for the wars in Iraq and Afghanistan, but no provision for any plan to privatize Social Security because, as Nussle noted, "we have no plan, yet."

Ranking Democrat John Spratt (S.C.), in his opening presentation, focussed on the sea of red ink that has been flowing out of the budget since President Bush took office in 2001. He noted that in that time, the budget outlook has swung from \$5.6 trillion in projected surpluses to \$3-4 trillion in projected deficits. He added that the debt limit has been increased by \$2.234 trillion in four years. "We're on a path that can't be sustained," he said. Spratt also noted that the GOP plan does not include the costs of privatizing Social Security, the costs of the wars in Iraq and Afghanistan, the costs of reform of the alternative minimum tax, nor the costs of renewing the 2001 and 2003 tax cuts that begin expiring in 2009 and 2010. He said when those things are factored in to

the projections, the result is cumulative deficits of \$4.6 trillion through 2015. Furthermore, the spending cuts that are in the budget plan, supposedly for deficit reduction "do a world of hurt, but have little effect on the deficit."

The debate follows a March 4 report by the Congressional Budget Office that, under President Bush's 2006 budget, deficits will total \$2.6 trillion over the next ten years. That's \$1.6 trillion more than the CBO sees otherwise. Those projections, like the budget itself, don't include the costs of the wars in Iraq and Afghanistan, or of the privatization of Social Security, because the budget provides no details on either one. As for the near term, the report projects that Fiscal 2005 will end with a deficit of \$394 billion, and Fiscal 2006 at \$332 billion. The CBO expects that supplemental spending in 2006 will add about \$40 billion to the deficit, bringing the actual deficit in 2006 to somewhere around \$370-375 billion.

## Conyers Calls for Boykin's Dismissal

Rep. John Conyers (D-Mich.) on March 4 called for Secretary of State Donald Rumsfeld to fire Lt. Gen. William Boykin, who became infamous in October 2003 for saying, among other things, that the God of Islam is an idol.

Boykin was issued a "memorandum of concern" by the Vice Chief of Staff of the Army, after a Defense Department Inspector General investigation of his speaking activities. The IG found that he "violated applicable DOD regulations, because: 1) he failed to clear the content of his speeches with appropriate DOD security and public affairs personnel; 2) he failed to

issue the required disclaimer on several occasions; and 3) he failed to report receipt of one travel payment from a non-government source on his 2002 Public Financial Disclosure Report.” The IG also raised concerns about his wearing the Army uniform while making private and controversial remarks and his use of government-funded travel.

Conyers, who had demanded an investigation of Boykin’s activities back in 2003, said in a March 4 letter to Secretary Rumsfeld, “Based on my review of these findings and the IG’s report, it is now clear to me that General Boykin should be relieved of his very important and sensitive duties in the Armed Forces, and I would urge you to immediately do so.”

Conyers noted the inflammatory nature of Boykin’s remarks, in which the General also said that “Islamic extremists hate the United States because we’re a Christian nation,” and that Bush is in the White House “because God put him there.”

“We simply cannot afford to have such an extremist speaking on behalf of our nation and our military in violation of DOD rules,” Conyers wrote to Rumsfeld.

## Senate Votes Down Minimum Wage Increase

Senate Democrats proved, on March 7, that any debate on increasing the minimum wage is now a partisan debate, at least in the Senate. Sen. Edward M. Kennedy (D-Mass.) sponsored an amendment to the bankruptcy reform bill to raise the current \$5.15 an hour minimum wage to \$7.25 an hour over two years. Kennedy told the Senate that the current minimum wage, when adjusted for inflation, is at its second lowest level of purchasing

power in its history. Most minimum-wage workers, Kennedy noted, have no health insurance, few are able to save for college tuitions, and they are being squeezed out of the housing market and depend on driving to get available jobs. Kennedy also noted that while Americans are working more hours than they were 30 years, and more hours than workers in other industrialized countries, they are making less.

The Republicans responded by introducing a counter-amendment, sponsored by Sen. Rick Santorum (Penn.) that would have raised the minimum wage to \$6.25 an hour, but would have reduced the number of workers eligible for the minimum wage and allowed employers to replace overtime pay with so-called “flex time.” Santorum called his amendment a “surgical attempt” at a smaller increase in the minimum wage, because it would not impact small businesses’ ability to hire low-wage workers. Santorum’s amendment did not cover over the Republicans’ ideological opposition to the minimum wage, however. Sen. John E. Sununu (R-N.H.) compared mandating a minimum wage to the policies of countries like Cuba and North Korea, where “only the Federal government should be able to determine what one earns or does not earn.” Sen. Orin Hatch (R-Utah) complained that the minimum wage “is a Federal government mandate which creates negative ripples throughout the national economy by making goods and services more expensive for families.”

Sen. Richard Durbin (D-Ill.) put the issue in context. He said that it was appropriate to have the minimum wage debate on the bankruptcy reform bill. “We are going to force some of the most marginal workers . . . into a position where they can’t pay their bills; then our beautiful Bankruptcy

Code reform pushed by the credit card industry will make sure they are saddled with debt for a lifetime.” Kennedy’s amendment went down to defeat by a vote of 46 to 49, and Santorum’s 38 to 61.

## Conyers Seeks Hearings On ‘Rendition’ for Torture

In a March 2 letter to House Judiciary Committee Chairman James Sensenbrenner (R-Wisc.), Rep. John Conyers (D-Mich.) called for a committee investigation into the rendition practices of the U.S. government—that is, handing captured individuals over to other governments where they can be held without charges and/or tortured for confessions, while the United States can plausibly deny responsibility. He cited three well-known cases, of Ibn al-Sheikh al-Libi, an al-Qaeda figure rendered to Egypt, who falsely “confessed” under torture to an al-Qaeda connection to Saddam Hussein; Maher Arar, a Canadian citizen rendered to Syria, where he spent ten months in prison before being released without being charged; and American citizen Ahmed Abu Ali, who was held for 20 months in Saudi Arabia at the behest of the U.S. government before being returned and charged with “material support” to terrorism.

Conyers noted that in the case of Arar, immigration officials refused to cooperate with a Department of Homeland Security Inspector General investigation, thereby frustrating the investigation completely. He called this lack of cooperation “unfortunate,” in view of evidence that renditions “are more commonly used than anyone ever thought.” “I am concerned,” Conyers wrote, “that if we do not act immediately, these cases, and numerous ones like them, will only be exacerbated.”

40TH ANNIVERSARY OF SELMA'S 'BLOODY SUNDAY'

## LaRouche Youth Join Amelia Boynton Robinson

by Bonnie James and Katherine Notley

On the 40th anniversary of the historic crossing of Edmund Pettus Bridge in the Selma-to-Montgomery march for voting rights, one of the movement's great heroines, Amelia Boynton Robinson, invited four representatives of the LaRouche Youth Movement to join her in Selma, Alabama to participate. The annual "Bridge Crossing Jubilee" to commemorate "Bloody Sunday" on March 7, 1965, when state troopers attacked the demonstrators attempting to march from Selma to the state capital in Montgomery, giving the date its infamous name, was hosted on March 3-6 by the National Voting Rights Museum in Selma, and culminated on Sunday, March 6, with a re-enactment of the bridge crossing.

In 1965, the Selma-to-Montgomery march was able to take place two weeks after the attack, attracting activists from all over the country, and international media attention from start to finish. Galvanized by the determination of people like Selma business owners Samuel W. Boynton and his wife Amelia Boynton to secure voter registration for every African-American in Dallas County, Alabama, and to win economic justice for especially the poor, rural sharecroppers, President Lyndon Johnson later that year signed the Voting Rights Act.

The LaRouche Youth described their participation in the Jubilee as seeking to encourage participants not to simply be nostalgic, but to elevate the crucial contributions that came to a turning point on that Sunday in 1965, and ask, at this time of crisis, "Where do we go from here?" and "How do we do it?"

The LYM delegation arrived in Selma on March 3, a day which was dedicated to the late Samuel William Boynton, by whose side Amelia Boynton fought for 30 years before the

1965 Voting Rights Act was signed. Mr. Boynton died on May 13, 1963, after suffering a series of strokes brought on by the relentless threats to his and his family's lives, to stop him from organizing, as Mrs. Robinson describes in the interview below, "for the ballot and the buck"—to secure voting rights and economic independence for the county's black citizens, many of them sharecroppers kept in a condition of virtual slavery. His last words to his wife Amelia, were to ensure that every African-American in Dallas County was registered to vote.

The LYM organizers joined Mrs. Robinson for a TV interview, in which she recounted her experiences in the voting rights fight, as well as describing how she met the LaRouche movement in New York City some 20 years later. Soon after, she became vice chairwoman of the newly founded Schiller Institute, launched in 1984 by Helga Zepp-LaRouche and her husband Lyndon LaRouche.

That evening, a tribute to Samuel W. Boynton was held at the historic Tabernacle Baptist Church, where the first voting rights meeting in Selma took place. The event, attended by 400 people, including elected officials and civil rights veterans, turned into an impromptu book-signing of Mrs. Robinson's autobiography, *Bridge Across Jordan*, recently re-released by the Schiller Institute. The speakers included Mrs. Robinson and her son, Bruce Carver Boynton, Dr. Joseph Lowery, Dr. F.D. Reese, and Dr. Charles Steele. Bruce Boynton recalled the courage of his parents in organizing the impoverished black population to register to vote, despite threats against their lives, in a South where the atmosphere of terror was maintained by lynchings.

The morning of March 4, the LaRouche Youth attended the "Invisible Giants Conference" at Selma High School,





*Amelia Boynton Robinson, veteran leader of the civil rights movement, who was beaten unconscious on Bloody Sunday in Selma 40 years ago, was interviewed by reporters during the commemoration ceremonies in March 2005.*

where California Democrat Rep. Maxine Waters spoke. Waters said that many members of Congress would make the pilgrimage to Selma to march and sing, and be seen marching and singing . . . and then they would go back to Washington and vote up the Bush Administration's austerity budget. She challenged the students to organize a rally aimed at making sure that members of Congress participating in the Selma commemoration take up the fight against the Bush Administration.

Among the events later that day, the National Voting Rights Museum in Selma, which sponsored the Jubilee events and hosted Mrs. Robinson's trip, held a reception in honor of Amelia and Samuel W. Boynton. Mrs. Robinson's speech was warmly received. After she spoke, the LYM organizers engaged in discussion with her and others about the speeches of Dr. Martin Luther King. LYM leader Michelle Lerner noted that, in reading Dr. King's speeches, it is possible to trace Dr. King's own growing understanding of the concept of economic justice.

### **Awards Dinner**

The LaRouche Youth were the special guests of Amelia Robinson at a black-tie event, the "Freedom Flame Awards" in the evening on March 5, where the dignitaries included civil rights veterans JL Chestnut, C.T. Vivian, Harry Belafonte, Rev. Jesse Jackson, and Democratic Representatives Cynthia McKinney (Ga.) and Maxine Waters (Calif.). Among those also remembered were Classical singers Marian Anderson and Paul Robeson.

Harry Belafonte, who had served in World War II, gave the last speech of the evening. He described how, returning from overseas duty at the war's end, he noticed a shift in the mood of the population—a demoralization similar to Lyndon

LaRouche's description of life under Trumanism and the escape to suburbia. Belafonte himself was blacklisted during that period. Belafonte gave a spirited defense of his well-known calypso song "Day-O," which he explained was not a trivial pop song, but rather had been passed down from his mother and grandmother, a slave Spiritual from Jamaica and Cuba about surviving on the banana and sugar plantations. He also noted that his friend, former South African President Nelson Mandela, when he was imprisoned in solitary confinement, used this song to communicate with other inmates, because the guards did not realize that it was a metaphor.

Belafonte also talked about his role in the civil rights movement and the many times he marched with Dr. King. He said that many of the artists of his time, such as singer Tony Bennett, came to Selma after the outrage of March 7, to complete the Selma to Montgomery march, two weeks later. The artists back then were held to a higher standard than today's performers, he said, who have no respect for anything except making money.

There was a sense in the audience of the movement coming back to life, as especially Belafonte, Amelia Robinson, and Dr. Lowery, a founder of the Southern Christian Leadership Conference (SCLC), attempted to inspire people to rise above their smallness. Many speeches unfortunately reinforced that smallness by basking in nostalgia. Two of the LaRouche youths spoke to Belafonte, describing their work and asked for his help with Classical drama. Belafonte said that he had some of LaRouche's literature and was "working through it," and added that he had seen the movement in Berlin, Germany.

### **Crossing the Bridge to the Future**

The culmination of the ceremonies took place on March 6 with the annual re-enactment of the march across the Edmund Pettus Bridge. At the far side of the bridge is a small commemorative park; at the entrance of that park, the National Voting Rights Museum unveiled busts of two women who fought, unrecognized, for voting rights for three decades, before the events of 1965 exploded before the eyes of the world. Those two women were Amelia Boynton Robinson and the late Marie Foster.

The LYM pricked the conscience of marchers—including Congress members, who were there to be seen and perhaps get a "stamp of approval" for showing up, by carrying two polemical signs. One was crafted with the help of Rep. Maxine Waters, attacking the Bush Administration cuts in the Department of Housing and Urban Development (HUD), block grants, and housing assistance for the poor: "Say 'no' to Bush's fascist budget cuts; save HUD, CDBG; Save Section 8." The second sign was, "LaRouche PAC: Lift every voice for economic justice. Join LaRouche to fight Social Security privatization." Senate Majority Leader Bill Frist (R) of Tennessee joined the marchers, but was greeted by the LYM with signs held high and singing "Ain't gonna let Bill Frist turn us around."



## ‘A Vote-Less People Is a Hopeless People’

*Mrs. Robinson, a fighter for civil rights for nearly a century, is vice chairwoman of the Schiller Institute in the United States. Katherine Notley interviewed her on Feb. 15, shortly before Mrs. Robinson returned to Selma, Alabama to celebrate the 40th anniversary of a keystone battle for the right to vote—the 1965 Selma to Montgomery march, which had its baptism by fire on Bloody Sunday, March 7, 1965. She and her late husband S.W. Boynton had been fighting for voting rights for 30 years in Dallas County, Alabama, before the Selma march. Mrs. Robinson’s autobiography is titled Bridge Across Jordan.*

**EIR:** As you know, there’s a lot of evidence that the 2004 vote in Ohio, in particular—in areas that appeared to be Democratic areas—there were a lot of shenanigans that went on, to prevent people from voting at all. Not just to steal their vote, but to keep them from voting. Areas that were Democratic, didn’t have machines, for instance, and people waited 4 and 5 hours; in one precinct, they waited 9 to 11 hours to be allowed to vote. The last person voted at 3:00 in the morning. Other things went on.

You fought in the right-to-vote battles in the 1960s, and a lot of similar things went on just to keep people from even registering. So, maybe you can tell us some about that.

**Robinson:** Well, in 1867-68, men—not white men, not black men, but men—were the only ones who were allowed to vote. Only in 1920 or ’21, women were given the right to vote. But, during that time, there were many, many African-Americans—or blacks, or colored, or Negroes, whatever you want to call them (you’ll run out of names after a while, and I don’t know what else you’re going to say, when you run out of names), who realized the importance of fighting for justice, the Constitution of the United States’ right. So, they began to register in large numbers, and to vote. And consequently, in almost every political position, you had people of color. They had some mayors, they had Congressmen, they had Senators, they had people in all of the political positions.

And in 1910, the system decided, that “We’re going to stop this.” So, they began to put all types of hurdles, to keep people from becoming registered voters. And, of course, that meant the South thought it was a good idea, and I’m quite sure they were the ones who orchestrated this. And very few black people began to register and vote. Not because they

didn’t want to, but because there were many hurdles that were placed, that they could not get over.

And, when I came along, which was many years ago, the only African-Americans who were registered voters, were those who were leftovers from those people who were given permission to vote without having to fill out the applications and whatnot.

I was able to vote when I became 21 years of age. You had to be 21 then. I didn’t have any trouble, because I was working for the government, and my husband, a county agent, was a registered voter when he was working in Georgia. And he encouraged me, “As soon as you get 21, you register.” And I did, with no trouble. The applications were one and one-half page, just the ordinary things you would ask—your name, your age, where do you come from, your date of birth, your place of birth.

But my husband and I realized that we needed *all* of these people to become registered voters. It isn’t enough for *us* to be registered voters, and the few leftovers from 1910. Whether they were teachers, preachers, or whatnot, they could not register and become a voter. Then we began to fight for them to register.

Of course, being county and home-demonstration agents, the people in the rural district—and that was the masses of people who lived on plantations—they were the ones that we worked so feverishly with.

**EIR:** And this was in Selma?

**Robinson:** This was in Selma and Dallas County, Alabama.

The people in the rural districts, whom we had been teaching, were the ones who were hungry to become citizens. We had our office downtown in Selma, and of course, the county is 772 square miles, which means we had quite a large area. The people in the city feared, because fear was what the system used to keep them in check. They were afraid to do anything that—they didn’t call them “masters,” but in their minds that’s what it was. Whatever he wanted; he didn’t have to tell them. They were so conditioned, they would say to us that “white folks wouldn’t like it.” Which means that they were conditioned.

Well, we were able to get that out of the people, who were in the rural district. And we would have to teach them how to fill out those blanks of one and one-half page. We’d have to

do it at night, in the churches, where they had lamp-lights. They would be anxious.

Then, those in the city who would like to, and those in the county who could come to Selma on Saturdays, were the ones who would come into the office. We had such signs in our office, as “If you have not made an attempt to register and vote, don’t talk politics in here.” And then, another sign we had was, “A vote-less people is a hopeless people.”

### The Jim Crow ‘Plantation System’

People in those days didn’t have money; some of them couldn’t work, or they worked on the farm, but they didn’t get anything for it. It was free labor! And then, somebody said to me, “Free labor? You mean to tell me they were on the farm working all the time?” Yes. Here’s a family of ten children, mother and father, working as long as the farm needed them. The school year being three months long, they were told, if they were boys 13 years of age or older, and they were needed before the three months were over, they were told, “You have to get out of school.” Consequently, the boys were always dropping out of school, because if they had to get out of school in the third grade, for instance, and then the next year, they would have to go back in that class, or the class that they would go into, they would find these little children and here they are, 14, 15, 16 years old. So, they just dropped out for good. And that’s why you find, maybe in many places, it didn’t have to be from the farm, but the women are much more educated than the men are, in general.

But, they’re all working. And, you take, for instance—let’s say the “Johnson family.” At Christmas time, or just before Christmas, the system was, they’d call the head of the family in: “All right, James Johnson, come up to the Big House, or to the store”—if they had one—“and we’re going to have a settlement.” All right, the “settlement” would go like this: “Well, James, you made seven bales of cotton. You know we’re working on ‘halvers’”—as they would say. “Three bales will go to you, and three bales will go to me. Now, that’s six bales. You can’t halve a bale, so I’ll just take that. Now James, you know the old mule died. We’ll have to have another mule. You have to pay for that. And you have to have seed, feed, and fertilizer, you have to take that out.

“And, James, you know your daughter took sick, and you called me and told me that you wanted your child to go to the doctor. I had to call the doctor, and I had to make arrange-



*LaRouche Youth Movement members Abdul-aliy Muhammad (left) and Paul Mourino hold high their banner, during the “Bridge Crossing Jubilee” re-enactment at Selma’s Edmund Pettus Bridge, March 6, 2005.*

ments, so I’ll have to take that out. And then James, before Christmas you came here and told me you needed some money to give your children Christmas, and I let you have some money. Have to take that out.”

And he figures. Now, James can’t figure with him, or he would be considered belligerent. “Now James, you’re almost out of debt. You just owe me \$250.”

Well, James’ feet are cemented in the plantation. He better not leave! If he left, he’d be arrested. Or they would concoct some type of plan, or some lie, that would put him in jail! So, James would have to stay right there—another year, after year, after year. That’s why you found on the plantations, generations of people who had lived, some of them whose foreparents were brought from Africa and put into slavery.

So, that was the system.

### Ticket to Freedom: The Buck and the Ballot

And we would tell them: There are two things. You are not independent, you are not a citizen. You’re going to have to do things—you’re going to have to control some money, and you’re going to have to vote. Because a vote-less people is a hopeless people.

And then people began to realize, “Staying on this farm, I’m hopeless!” And that’s why the people in the rural district fought so hard with us, to get them to register and to vote.

Now, they didn’t have the trouble that they had in the year 2004, because of the fact that they had their way. I had always

thought that there were two things that were secret: In your mind, you knew what it was, you knew who you cast your vote for, which was supposed to have been private; and your communication with God. And we voted for somebody, and the guy called us up, and said, "I certainly appreciate your voting for me." Which meant that he found out, so it doesn't seem as though there was anything secret about it.

But, fighting for people to vote, getting people off of the farm, and telling them that "you have to be independent. The buck and the ballot will be your ticket to civilization, to justice, to freedom." And we were getting them off of the farm. And these were the things that made [the white power structure] *hate* us so badly. We were helping these people to get places that they could buy. And I don't care how evil some people are, the evil seemingly is a forerunner, and you can see the evil more than you can see the good. There was a white guy, who had a store in the city of Selma. And he sold farm products, like plows and whatnot. Well, he told my husband, "Boynton, if any of your people can find any kind of property, any kind of farm, and want to leave the farm that they're on, I will loan them money free of interest for the first year." And he did. And many of them left the farm. . . .

These are things that the system *did not want to happen*. See, independence—you handle money. And there have been white people who have told me, and my husband, too, that "we have been voting for people all of the time, we've been handling their money; why in the world do you think *you* have to do it now?" And we said, "We have to train them how to do it."

"No. You don't disturb our system." And their system was left over from slavery.

But, when they found out that we were having these meetings, with our office being on the street opposite the City Hall, they would take their binoculars, and look into our office, and see these people come in and out. And tell them, "If you don't stop communicating with those folk, we're going to put pressure on you." And pressure, they really did—which of course, caused my husband to die [in 1963] with the strokes that he had from time to time. . . .

Then, we had Gov. George Wallace. George Wallace put up every hurdle he possibly could, because he saw that we were fighting for civil rights, we were fighting for the right to vote. And he said, one time, "Segregation today, segregation tomorrow, segregation forever." . . .

And the only thing that I see that can stop that, is what the Schiller Institute is doing, and what the youth are doing. Now, they're going to turn this country upside down, and straighten it out. Because they're being trained in what justice really is. And there were so many times in the South, that justice was only for people that were Caucasians. But, *they* [the youth] are the ones that have the "ammunition," and that's in their minds. They are going to straighten this country out.

And when it comes down to registration and voting, that is your ticket to first-class citizenship, and that's what you

fight for, to free these people. Because, if they can't register, and if they can't fight the injustices and the way that they are using the folk, we will *always* have this type of thing.

And it won't only be for African-Americans. We're having people come from all parts of the world, and they're becoming citizens. We need them! We can't close our doors and say that we'll leave them out. But, they're going to vote, and then the system is going to try to go against certain things and keep them out. But, if this is the "land of the free and the home of the brave," we've got to do away with the old system that we have. . . .

For 30 years, we fought to get such a small number of people registered! And how we did it, I don't know. We had to do it, through some of the white people who wanted somebody to vote for them.

But then, after Rosa Parks sat on the bus, between '55 and '60, we would follow the meeting of the Southern Christian Leadership Conference (SCLC). We asked Dr. King to please come to Selma, because for 30 years, we had fought to get these people registered; for 30 years, we got such a small number registered.

### **Memorial Service for S.W. Boynton**

Finally, he sent a guy by the name of Bernard Lafayette, who was at Fisk University. They sent him down there. When my husband passed, with his having worked with the young people—not the older ones, the younger ones were the ones who were going to jail, and being beaten—he told these young people, "Mr. Boynton has passed. Now, I want you to tell everybody that he has passed." Then, he went to one of the big churches in town, and he said to this minister, who worked with us undercover, Rev. L.L. Anderson—he said, "Reverend Anderson, I'd like for you to open your church. I'd like to have a memorial for Mr. Boynton."

Okay, he was glad to do it. But, when he went to the deacons, the deacons said, "Oh no you don't! We won't have that man's body here. We won't have that worry, because you know the white folks don't like it." That was the mentality of many. And when I say "many," I don't mean the poorest class, I'm talking about the upper class, the moneyed folk also, of Selma. So, he said, "Well, I'm going to have this memorial. If you don't permit me to have it in the church, I'll have it in the street!" So, I think they became fearful that, maybe the folk would burn the church down, or they became embarrassed.

Anyway, Sheriff Jim Clark, who's well known for beating up people, called "all full-blooded white men, to come to my office, be sworn in and given ammunition." And they did.

Then, on that Friday night, when he had the memorial, the people had to come through a line of white, deputized sheriffs. Some of them went in the church; many of them stayed out. But it was all because of what my husband had done, in trying to get people registered to vote.

On Monday morning, when they went to their jobs, in the foundries, in the factories, in the industries, and even in the



*Amelia Boynton Robinson addresses the “Freedom Flame Awards” dinner, sponsored by the National Voting Rights Museum and 21C in Selma, March 2005. U.S. Representatives Maxine Waters (D-Calif.) and Cynthia McKinney (D-Ga.) are at the left.*

kitchens, they were told, “You don’t have any job. You’re fired.”

And they said, “Fired! When I left here Friday, didn’t I leave everything all right?”

“Yes. But you attended that memorial for that S.W. Boynton. You’re fired.”

Then, those people figured, “Well, I’m a slave! I’m going to break these chains!” These are the adults, they’re the ones who got into the lines, marched, demonstrated, and demanded, to become registered voters. Before, they just let their children do it, hoping it’d work. And that’s all.

And George Wallace decided, “Well, I’m going to make it hard on them.” So, on the registration days, the books were open every second and fourth Tuesday, that’s all.

**EIR:** One day, every two weeks?

**Robinson:** Yes.

**EIR:** How generous.

**Robinson:** But, when that happened, they decided, “Well, we’re going to see that the registration office is open.” So, they started marching, they started demonstrating. George Wallace said, “No, they won’t. They’re not going to be able to pass.” So, he had *ten* pages, ten questions on each page. And he would send it down on Monday night, which means neither the registrar nor anybody else had seen it. And then he would have them fill these out—and they didn’t have but two or three chairs in the registration office.

Now, I would go into the courthouse, to vouch. Because

there was a time, when you had to have three white men to vouch for you. You had to have property, you couldn’t have a mortgage on your property—all of this to keep them from registering, and voting. Which was terrible!

And there was a guy who came in. And he had a big family. The registrar was sitting there; now, he had been through eighth grade, and he didn’t know very much about law, but he was a registrar. So, he said, “Okay,” to this old man, walking with a cane—he said, “Okay, what’s your name?” He told him his name. “All right, you write your name here.” And he started writing his name, and he went across the line—“Old man! What you think y’re doin’? You failed already! You can’t be any registered voter, if you can’t even write your name on a straight line!” The old man looked up at him, and he said, “Mr. Henderson, I am 76 years old. I own 90 acres of land. I done raised ten children, and they’re college graduates. I have my own home, and I do my own work—and if that ain’t enough to be a registered voter, God have mercy on this country!”

And I think he preached it better than anybody else could! I was very proud of him.

### **Jailed for ‘Criminal Provocation’**

So, it was that particular time, that I came out of the courthouse, and I came out the side door. And in the front, there was Jim Clark, and he was standing up there, keeping people from coming into the courthouse. These were older people; many of them had lost their jobs because they went to the memorial; many of them were old, walking with sticks; many



*NBC-TV interviews LaRouche Youth Movement leader Abdulaliy Muhammad, in front of the Edmund Pettus Bridge in Selma, March 2005.*

of them were people who were determined to become registered. And when I came out of the courthouse, this line of 62 people was standing on the sidewalk. Now, whether it rained or whatnot, they couldn't come in the courthouse. They had to stay out there, and they'd have to stand! They had nowhere to sit.

When I came out of the courthouse, I felt good, because of what this man had said, Jim Clark looked at me, and I'm walking down the street: "C'mon here, and get in this line!" I said, "I'm going to my office!"

"I said, 'Come here, and get in this line!'"

"I said, 'I'm going to my office.'"

And the third time he said, "You get in this line!" he ran behind me, and at the intersection, he grabbed me by the nape of my neck, turned me around, and started pushing me toward the paddy wagon. And I said, "I hope the news media will get this."

"I hope so, too!"

I really didn't know whether I should go limp, or turn around with my left and give him a *sock* in his eyes, or permit him to continue to push me—and he was really pushing me! But these 62 people, when I got parallel to them, they said, "Go to jail, Mrs. Boynton! Go to jail! You won't be there by yourself—we'll be there with you!" And of course, I just permitted him to continue pushing. You've seen that picture.

And I went to jail. And they said they would be there, and they *were* there. And you know, God works in a mysterious way, His wonders to perform: They drill-marched those people, and it reminded me of the Trail of Tears—and if you have not read the Trail of Tears, where the Indians were driven

from the East Coast to the West, it behooves a person to read it. Well, like the Trail of Tears, they drilled these people from the County Courthouse to the City Hall. And here I am, in jail. I cried at first. But, when I heard these people's footsteps, it gave me courage. It really gave me courage to say, "Gosh! I got more to fight for than I thought I had!"

And when they got to the top of the steps—I could hear, because my cell was one of the first cells—I heard the jailer say, "I don't know what's wrong with these keys!" He was trying to open the door. (And if one has never been in jail, I say, "don't go," because the very door is made of iron. And when that door *slams*, it's something that seems to grab your heart.) When he tried to open that door, he couldn't open it. So, he called for another set of keys—and they wouldn't open the door. And I heard the people that were on the other side of the door. And I heard one woman say, "Yes, when God closes a door, no man can open it!" And then the others were saying "Amen!" and they started singing:

"Over my head, I hear angels in the air,

"Over my head, I hear angels in the air,

"Over my head, I hear angels in the air,

"Surely, there's a God somewhere!"

And you know, all of these old people—they were religious. Oh boy, they really preached!

So, they couldn't find a key. They called the locksmith. The locksmith was about a half-block from the jail. The locksmith came, and he could not open the door. He said, "I'll have to get an acetylene torch and blow this lock open." So, he had to go back.

They took those people back downstairs, put them on the

elevator, and brought them up—they should have done that at the beginning. And then they said, “We told you that we weren’t going to let you be here alone.” And they kept them there for about four or five hours. They charged them with “unlawful assembly” when they were on the courthouse lawn.

I was kept there until about 12 o’clock that night. And I was charged with “criminal provocation.” I don’t know how they happened to put that together.

**EIR:** Provoking a criminal—like Jim Clark.

**Robinson:** That’s the way we would say it. The case, of course, never came up.

But, the beatings, the jailings of people—they didn’t have any jails, they didn’t anywhere for them! They had to send them outside of the county, to other jails, because of the fact that they were jailing anybody and everybody who had color, that was trying to register.

This was not the worst price that was paid. But this was something that woke people up, all over the world. We let them know, that those people down in Alabama, and in the South—because the news media went to Mississippi, they went to Georgia, they went to Florida—they saw the conditions, they interviewed people, and found out that, as my husband said, “You are not a citizen! I don’t care if you were born here, you’re a chattel until you can register and vote.”

**EIR:** But this incident with Jim Clark is what sparked the decision to march to Montgomery, wasn’t it?

**Robinson:** No, it wasn’t. It didn’t happen in Jim Clark’s county, it was in Marion, Perry County, which was the next county over. They were having mass meetings, just like we were having. At this particular time, they were at that church. After the church was out, they went to a black drugstore, and the state trooper—and this is what sparked it—the state trooper went into the drugstore, and for some reason he started beating a woman who was in a wheelchair. And her son made an attempt to protect her, and to keep him from beating up his mother, and they shot him in the back and killed him. Then, when that happened, the people said—and SCLC, we were working together—said, “We’re going to take the casket to Montgomery, and put it on the steps of the capitol.” Instead of taking the casket to Montgomery, which is 80 miles away, they came to the conclusion that, what we need to do, is to march from Selma to Montgomery, and plead our cause.

### The March to Montgomery

So, they decided, on the 7th of March 1965, that we would march to Montgomery. We started out from the church. I knew I wasn’t going to march all the way. I had planned on marching until they got to the first place where they were going to camp, and then I would have to go back home, because my house was turned over to Dr. King and his staff. And half of my office was given over to the SCLC, so I knew that I couldn’t march for five days. . . .

When we got just a little across the bridge, I saw these state troopers; I saw the sheriff’s deputies, some of them were on the Selma side. I saw police. And the state troopers were in front. And I said to my friend Marie Foster, “My gosh! Those people look like tin soldiers!” They were standing erect, they were dressed in their uniform, they had a club, they had cattle prods—one in one hand, and one in the other. Then, they had on a gas mask, ready for what happened. There were some people on horses.

And when we got across the bridge—there’s a light just across—the head of the state troopers, by the name of Cloud, was in a sound truck across the road. He said, “Turn around and go back to your church. You cannot go any farther.” Now, we were led by John Lewis and Hosea Williams. When I started out, Marie and I were the second, but they began to come in between them—they must have known what was going to happen, and they didn’t want us to get the worst of it.

We stopped, while Cloud was talking, and he said, “Go back to your church!” It was Hosea Williams who said, “May I have something to say?”

“No! You may not have anything to say. Charge on them, men!” And they came from the right, from the left, from in front of us. And they started beating us. And I’m the type of person—I don’t know how to run. I *couldn’t* run. I *didn’t* run. Because—I think I was frozen. It was not because of fear. It was because of amazement: *of people being beaten!* I saw



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*Civil rights leaders and Congressmen join the march at the Edmund Pettus Bridge, March 6, 2005. Rep. Maxine Waters (D-Calif.), on the left, spoke at Selma High School two days before, pointing out that some Congressmen would come to be seen marching and singing—and then would go back and vote for Bush’s austerity budget. She challenged the students to pressure their representatives to take up the fight for economic justice.*

these people being beaten, I saw blood on the highway, I saw them falling, and how, right behind them, with the club, those people were beating them back across the river. And I was so amazed! Is this human? Are these *people* they are beating, and some of them are falling? And they would get up, and you could see that they either had broken limbs, or something, but they were still running. And I understand, one or two of them ran toward the river and came pretty near to falling in the river!

They just *beat* them back. And I looked around, there was nobody standing near me! So, one of the state troopers came up—all of this in the name of trying to register to vote, to become a first-class citizen: One of these state troopers came up to me, and he said, “Run!” And I just gave him a dirty look. Because I wasn’t going to run.

Then he hit me on the back of my neck, across my shoulder. The first hit was on my shoulder. That’s the time I looked at him and I gave him a dirty look. Then the second was the back of my neck, and that’s the time, unconsciously I fell to the ground.

And I don’t know what happened after that: But, I have been told, that—and the pictures, where this guy is standing over me with a stick—during the beating, my cap fell over my eyes, and part of my nose. That is the thing that saved me, because when one of the state troopers came up, I understand—because this is what more than one witness said—that they took a canister of gas and just pumped it all over me. So, my eyes were protected. And unconscious, with the beating

and the tear gas, I don’t know what happened, but I understand that when everybody was cleared out, nobody was left, they had dragged out the people who had broken limbs and what-not, that one fellow said to Jim Clark, “There’s somebody who’s dead over there. Will you send an ambulance?” He said, “No! I’m not sending an ambulance anywhere! If anybody is dead over there, *let buzzards eat ’em!*” And he got angry—and he told me about it—and he said, “I told him, ‘If you don’t send an ambulance over there to pick up whoever that is, we’re going to burn this town down!’ ” Then he sent the ambulance to pick me up and carry me to the hospital.

And when they took me to the hospital, I guess they gave me treatment. And when I came to, I asked “What happened? I remember when the fellow hit me around the shoulder, but I don’t remember anything else.”

I wasn’t able to find out what was happening then, but I understand that they called Dr. King and said that he was supposed to have led that march. And he called all of his friends, everywhere, and asked them to come to Selma.

### **Many Paid the Supreme Price**

That night, some of the people gathered at the office. Three ministers from Boston decided they wanted to eat, and in the next street there was an African-American restaurant. So they went to this restaurant—coming out, they made a wrong turn, and three white fellows, one with a pipe, approached these three ministers and started beating them. Reverend Reeb from Boston got the worst of it. And I understand



they took him back to the office, and they found out that he was really hurt. They put him in a black ambulance and took them to the white hospital—and they refused to take him, because he was working with us. So, they carried him to the black hospital, which was Anderson’s hospital, and they found out that they didn’t have the equipment that could help him. They immediately put him back into the ambulance, and drove to Birmingham, 90 miles away. When they got to Birmingham, they found out he had concussion of the brain, and they kept him there, and in three days’ time, he died. That was the supreme price, that was paid.

You see, many people paid the supreme price, for people to register and to vote. My husband died because of his trying to get people to register, and freeing them off of these plantations. Jimmy Lee Jackson died, because he attended the meeting and wanting to know more about how help to register and get these people through that.

And I think the system realizes, as my husband said, “The ballot and the buck will free you. The ballot will give you the ticket to first-class citizenship. The buck will free you from all of these bills that you have to pay. So, you get the ballot and the buck, and you are a free person.”

And it’s just as true now, as it was then.

And you know, when the Civil Rights Bill was passed, when the Voting Rights Act was passed, nobody should ever think that the evil people decided, “Well, there’s nothing else

we can do, so we’ll go to sleep.” They’re just like a mole, a rodent that goes underground; and the only way you can see it, is you see the ground breaking. And that means that this rodent is underground.

So, I look at these people who are trying to circumvent justice, in registration and voting, how they are implementing every possible evil thing that they can think of: They realize that they can’t tell people now, that “you can’t vote,” like they did back then in the ’60s, before ’65. But, they can do the same thing, in an evil, unjust way.

So, they are like this mole—planning, and programming, what is the next step for us to take, to keep those people from registering and voting. They are no better mentally, in being unjust, than Jim Clark. It’s no different.

**EIR:** Like Kenneth Blackwell, the Secretary of State in Ohio.

**Robinson:** Yes! It’s the same thing: He’s a Jim Clark and he’s a George Wallace!

**EIR:** And he’s the one that certified the election in Ohio. And he would not hold the position he has, if you had not fought for the right to vote—that’s the horrible irony.

**Robinson:** And yet he’s there trying to keep other people from voting? I can’t understand that. I’d like to talk to him! I’d really like to talk to him.

# Bridge Across Jordan

by Amelia Platts Boynton Robinson

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# Stop the Avian Flu Pandemic!

The fact that the flu season in the United States this year turned out to be relatively mild, should leave no one complacent. As world health experts have been screaming from the roof tops for the last year or more, the world stands on the brink of the outbreak of a new flu pandemic, against which emergency measures must be mounted immediately.

Starting in January of 2004 in Thailand and Vietnam, a new, virulent avian flu began to infect people who were in direct contact with chickens and ducks. To date, there have been at least 55 cases, and an alarming 45 deaths, or nearly 72% mortality. The virus has been isolated, and it is a new variant of the H5N1 first seen in Hong Kong in 1997, but with increased lethality.

In October 2004, Thai health officials announced the first probable case of person-to-person transmission of this new and deadly H5N1 influenza virus, prompting quick action from the WHO to isolate and examine it, in preparation for making a prototype vaccine.

This new virus, if confirmed, appears to be exactly what the experts have been worried about since 1997—a new strain of avian flu, that has recombined genetically so it can spread from person to person. This particular virus has a mortality rate over 70% so far, although the number of cases is still very small, and extrapolating from this small sample may be unreliable. Even if it is only half that rate of mortality, it would be much deadlier than the 1918 Spanish Flu virus, and would have the potential to kill tens of millions of people if the world is caught in a situation as unprepared as we are now.

In the United States, Julie Gerberding, the director of the Centers for Disease Control and Prevention (CDC), described the danger of an avian flu outbreak as a “worrisome situation,” in a statement on Feb. 22. The day before, in an address to the American Association for the Advancement of Science, she had said, “Our assessment is that this is a very high threat. . . . You may see the emergence of a new strain to which the human population has no immunity.”

Dr. Gerberding, Dr. Jeremy Farrar of the Hospital for Tropical Diseases in Ho Chi Minh City, Vietnam, and many others are citing the precedents of the 1918,

1957, and 1968 pandemics, in terms of the potential for a killer flu pandemic today. The 1957 Asian flu began in Hong Kong in February of that year. By August, six months later, it had spread worldwide, causing 70,000 deaths in the United States alone. With increased mobility in the world today, and agricultural practices which further concentrate livestock, the pace of spread could be even more rapid.

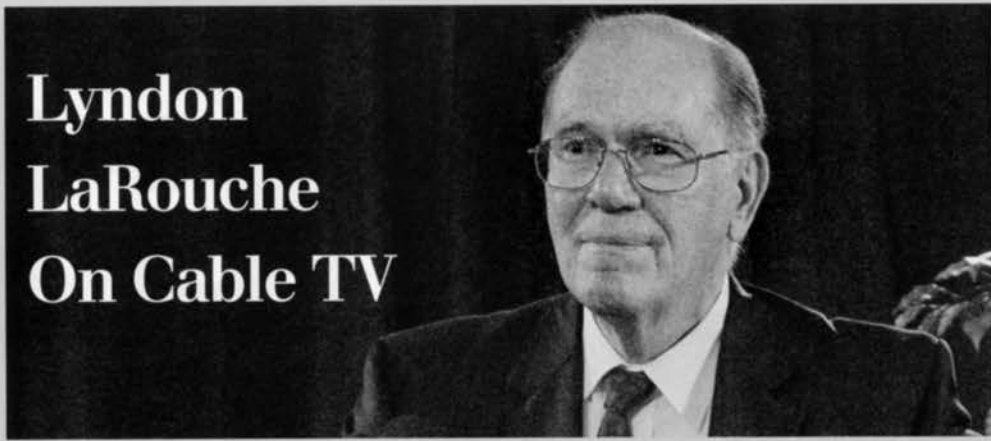
An emergency meeting on the danger was held in Ho Chi Minh City the week of Feb. 22, hosted by the United Nations Food and Agriculture Organization. The primary concern was animal hygiene, and how to best prevent wild flocks of geese and ducks (among which the virus is endemic) from intermingling with domestic poultry. The particular problem is that ducks and geese with the illness show no symptoms, but can still carry and transmit the flu.

What is immediately required is for governments to adopt the policy approach long proposed by Lyndon LaRouche. A priority, including all the resources required, must be put on public health measures, and for livestock as well as for human beings. Right now, there is grave concern about the ability of the Asian nations, such as Vietnam, where the avian flu is now concentrated, to adequately detect and fight the flu, including its incidence among humans. The nations afflicted should be receiving all the international aid they require.

These nations also require resources to carry out adequate animal hygiene, which has suffered enormously from the globalization and cartelization of the world’s food supply.

Lastly, resources must be provided for a massive international effort to develop adequate anti-viral medications, and vaccines—without taking necessary monies away from other public health requirements. What is required is the equivalent of a Biomedical “Strategic Defense Initiative,” a research mobilization that will put the best scientific minds together with the best laboratory and medical facilities, in order to head off the threat. This is what *should* have been done decades ago for AIDS, *before* it became the pandemic it is today. Our aim should be to stop this pandemic *before* it starts.

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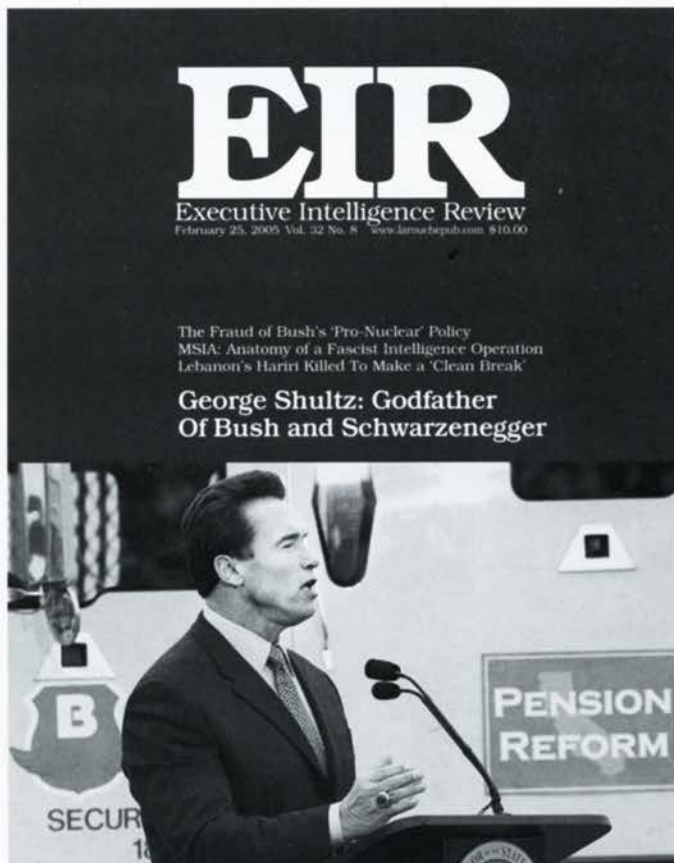
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