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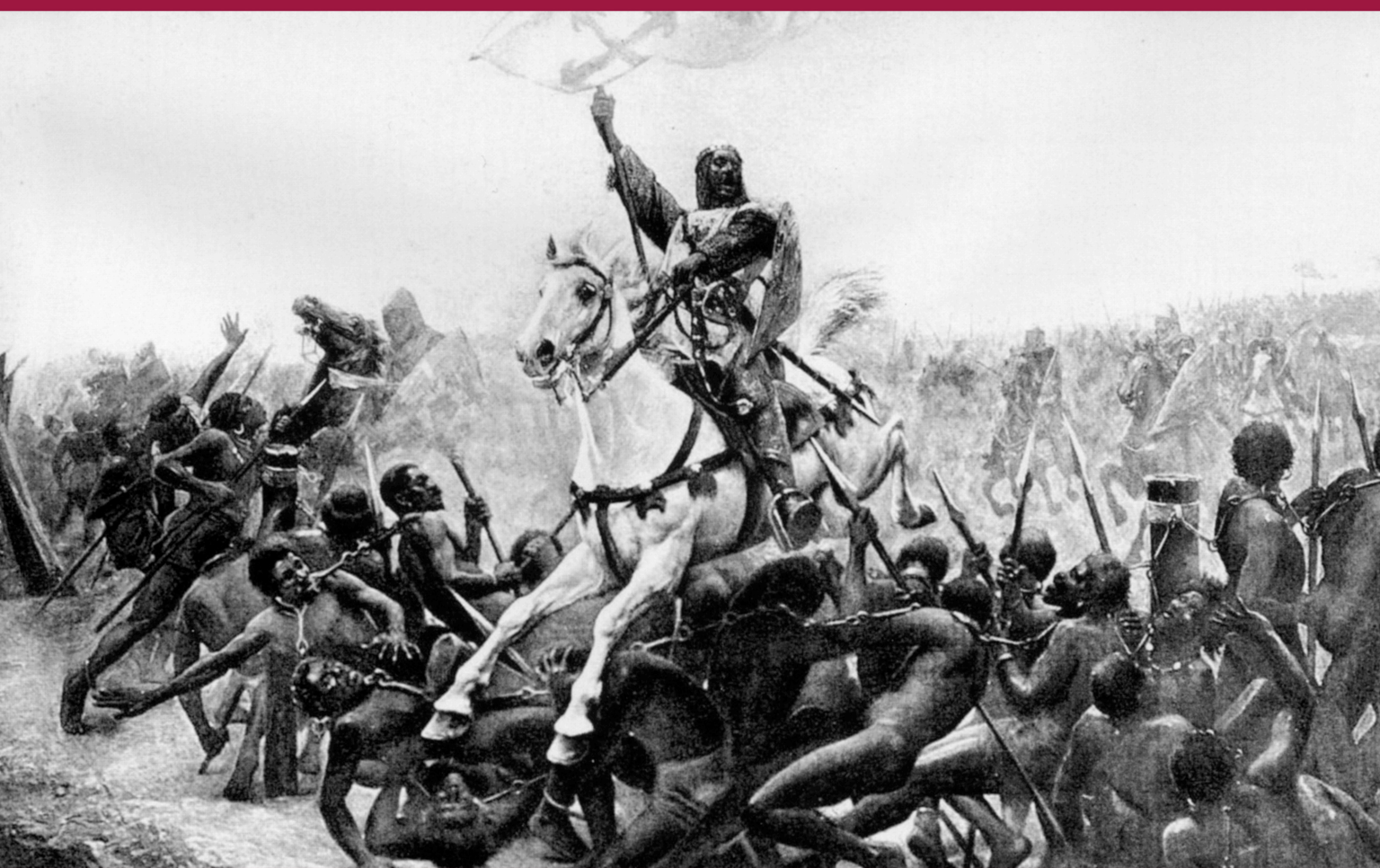
Russia's Sergei Lavrov: The Lessons of the Cold War

How Roosevelt's RFC Revived U.S. Economic Growth

Blair and U.S. Accomplices Push Anti-Islam Crusade



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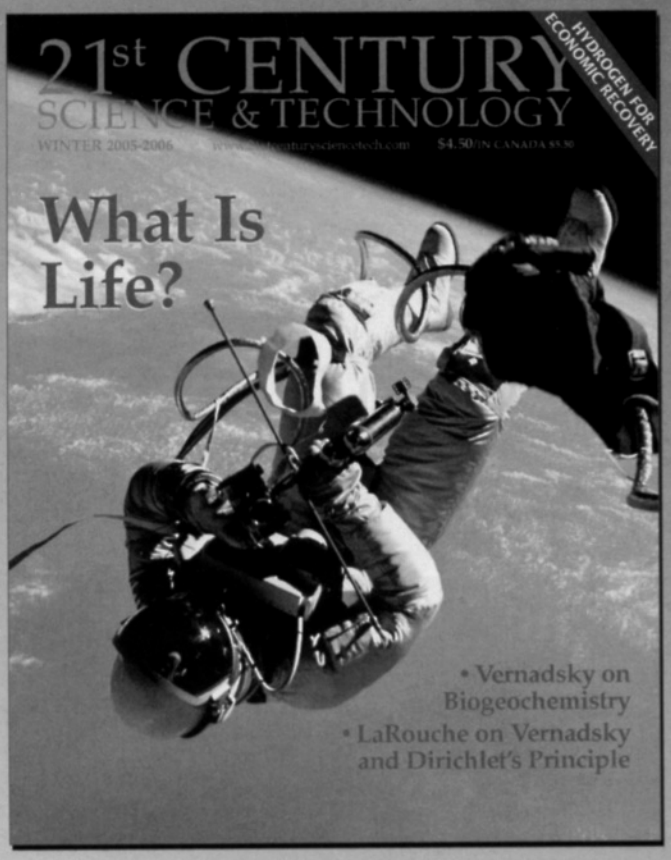

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EIR

From the Associate Editor

This magazine's specialty is to overturn generally accepted axioms; to show how, in most cases, the problems society faces are precisely due to those false beliefs which almost everybody considers to be self-evidently true. This week's issue is a case in point.

Start with Lyndon LaRouche's assertion that, "Strictly speaking, although there is an 'Iran Incident,' there is no 'Iran Crisis.' " He developed this theme at several recent seminars in Berlin, where the audience was incensed about the U.S. drive for war against Iran—but was missing the forest for the trees.

Related, is LaRouche's article on "Why European Oligarchs Hate the U.S.A." He notes that there is growing hostility to the idea of the U.S.A. in Europe generally, and in Germany in particular. Most people think this is because of the atrocious behavior of the current Administration, but in fact, the problem goes deeper: the "Green decadence" of 1968 onwards, which has infected the Americas as well, but which has a specifically oligarchical aspect in Europe, where the actual, enduring significance of the American Revolution has yet to be grasped.

Prof. Cliff Kiracofe's presentation to *EIR*'s Berlin seminar provides historical insight into how this American legacy has been undermined, giving rise to the Bush-Cheney "Imperial Presidency."

Also at the Berlin seminar, LaRouche challenged almost everybody's axioms with respect to the Nuclear Non-Proliferation Treaty (NPT), which he described as *dead meat.* His argument provides the context for understanding both the Iran "incident," and what's wrong with Bush's recent nuclear deal with India.

Then, there is the issue of how to finance a government-spurred economic recovery—something that is generally believed to be impossible, in this age of stratospheric budget deficits. Richard Freeman's report on FDR's Reconstruction Finance Corporation shows how this was done once before, with outstanding success.

Finally, let me draw your attention to the articles by Russian Foreign Minister Sergei Lavrov, which you will definitely find nowhere else in the U.S. press. They are most usefully read side-by-side with LaRouche's "Prolegomena for a Party Platform: Franklin Roosevelt's Legacy" (*EIR,* March 3, 2006).

Susan Welsh

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Godfrey of Bouillon tramples slaves underfoot during the Crusade which captured Jerusalem in 1099.

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Blair and U.S. Accomplices Push Anti-Islam Crusade

by Jeffrey Steinberg

On March 6, Lyndon LaRouche addressed a private gathering of prominent local figures in Berlin, Germany. The subject of his remarks was the so-called "Iran crisis." After reviewing the actual strategic crisis, posed by the intersection of the Anglo-American drive to provoke a needless military confrontation with Iran—to trigger an all-out war against the entire Islamic world, and the end-phase breakdown of the post-Bretton Woods "globalized" floating-exchange-rate speculative financial system—LaRouche concluded on a note of great optimism, that challenged his immediate audience and reverberated overnight in policymaking circles around the world:

"So, finally, one thing to consider: Here we have a great threat to humanity, a great threat represented by the policies of Cheney, Jack Straw in London, and so forth. How should we deal with this? The problem is that we find that our politicians are impotent—and I deal with politicians in the United States, I can tell you about their impotence. And many of them are my best friends! So, how do you get politicians, who behave with impotence, to suddenly find the strengths within themselves, to make the strategic decisions on which great endeavors of this type depend? Because, if you can, if you can mobilize the political forces, and mobilize the people around such political leaders, for these kinds of projects, *they will not tolerate something like this threat to Iran, right now!* They will not tolerate this threat to humanity. It's because people have become sophists: They sit back and say, 'You've got to go along, and put up with this. You've got to accept this.' Because they have no confidence, no courage. And they have no confidence and no courage, because they have no perspective, and they do not understand the efficiency of love for mankind as the greatest political force in world history, for the greatest things.

"You fight Cheney by mobilizing people around objectives, which mobilize people with an idea of the beauty of the future before us. In that case, they find the courage to fight, just like the person who fights in warfare to save their nation. They

World Economic Forum swiss-image.ch/Remy Steinegger

Council of the EU

UN Photo

The "Iran incident" was provoked by the British government of Prime Minister Tony Blair (center), assisted by Bush Administration circles of Vice President Dick Cheney (left) and UN Ambassador John Bolton (right). Their aim is to obliterate the nation-state, through permanent war—a "Clash of Civilizations" against Islam.

fight, and risk their lives, for the future of humanity. They fight because they want to do something *good* with their lives: *Give them something good.* Give them some care for other people. Give them care for strangers in different countries. And they will rise with courage to deal with these kinds of problems."

This Strategic Study

LaRouche's remarks in Berlin, which followed, by several days, an even more exhaustive exchange with an international audience at a day-long Berlin seminar hosted by *EIR,* form the core of the strategic study that follows. In a series of policy memos drafted in the past days, supplementing his remarks at the two Berlin events, LaRouche underscored that there is no "Iran crisis" per se. There is an "Iran incident," provoked by the British government of Tony Blair and his Foreign Secretary Jack Straw, and greatly abetted by the Washington, D.C. Bush Administration circles of Vice President Dick Cheney, Acting United Nations Ambassador John Bolton, and others, with the aim of provoking the Bernard Lewis and Samuel Huntington-labeled "Clash of Civilizations," modeled precisely on the medieval Crusades against Islam, that sank European civilization into an extended Dark Age of disease, famine, and perpetual war.

LaRouche warned, in no uncertain terms, that any military action against Iran, ostensibly triggered by Iran's efforts to acquire a nuclear weapons capability that is years off into the future, would unleash a global form of asymmetric warfare, which would be impossible to contain once it erupted. This fact is known to the financier circles behind Blair, Straw, and Cheney. Their goal is nothing less than instigating just such a global Hobbesian conflict, to wipe out the last vestiges of sovereign nation-states from the planet, and impose the ultimate "globalization" dictatorship by a private oligarchy of "property holders" of the strategic raw material and agro-industrial wealth of the planet.

Lavrov Speaks for Russia

At the same time that LaRouche was spelling out the present crisis conjuncture, Russia's Foreign Minister Sergei Lavrov was weighing in with his own assessment of the looming confrontation of civilizations, and spelling out the Russian government's efforts to halt the madness. In frank and honest terms, Lavrov highlighted Russia's history, including its own lapse into ideological seduction during the Bolshevik/Communist epoch, and its more positive legacy as the "bridge" between European and Asian cultures and civilizations.

Lavrov published a pair of signed articles, made available through the Russian Foreign Ministry, on the eve of his arrival in Washington, D.C. on March 6, to lead Russia's efforts to thwart the Anglo-American-instigated showdown with Iran. As part of *EIR*'s historic role as a publication-of-record on the pressing strategic issues of the day, we publish below, in full, the text of the two Lavrov analyses, as background to this strategic study.

As this issue of *EIR* goes to press, fault lines have emerged in and around the United Nations Security Council, with three of the Permanent Members—Great Britain, the United States, and France—pressing for an immediate deadline-confrontation with Iran; and the remaining two Permanent Members, Russia and China, arguing for a diplomatic solution, which is already in process of being forged.

In this volatile situation, LaRouche has urged calm, particularly on the part of the United States. Iran has recently elected a new government, and there are clearly factional differences within Iran's ruling circles, that have yet to be resolved. Russia and China have taken a constructive approach to settling the issue of Iran's nuclear energy needs, an approach centered around international guaranteees to provide Iran with the enriched fuel to run its nuclear power plants, produced through a joint Russian-Iranian venture, housed on Russian soil. There is good reason to believe that the good-faith efforts of Moscow, with the backing of Beijing, and with a stand-down of the confrontational approach of London and Washington, can succeed, over the next weeks and months, in resolving all outstanding issues.

The alternative, as LaRouche warns, is Hell on Earth.

Three Dimensions of the Present Crisis

On March 9, LaRouche was interviewed, live, on Talksport Radio in Britain, by James Whale. In that interview, LaRouche spelled out the three dimensions of the present global crisis:

On Iran, the first of the three overlapping crises, LaRouche described the plan of attack: "What we're talking about, essentially, is an aerial attack on the territory, by an assortment of forces, coming out of places like Offutt Air Force Base in the United States. That's not a 'go,' yet. But that is what's being talked up from the Cheney side of things.

"Now, from my view, we've got ourselves into a mess, because Iran had just had an election. They have internal complications which they have to sort out, as people do after any election, and this was the wrong time to push them.

"Where, in the meantime, we already had an option, which is an agreement of Russia and China, in this area. And this thing, which ElBaradei of the relevant agency is dealing with, can work. We're very close to a successful conclusion on this. It may take a little more time, a little more patience, a little more talk, because we're dealing with various factions in Iran and you have to take that into account. But we have a safe exit from this, which fortunately is being provided to Europe, in particular, by the intervention of Russia, which actually has the backing of China, essentially on this, in the United Nations aspect.

"On our side, in the United States, this is absolutely insane. We already have a mess in Iraq, which is beyond belief. There is no exit from an extension of this conflict to Iran which we could manage. There are some people who are desperate. And I think Mr. Straw, Jack Straw and company, have been playing the game of the old Arab Bureau fellow, Bernard Lewis, with this war against Islam thing. The essential thing here, when you go down to the bottom line, is we are catering to a *global war against Islam.* Back to the Crusades, or back to the religious warfare of 1492-1648, that sort of thing."

LaRouche next addressed the recent Bush trip to India, which added a further dimension to the crisis:

"We are now at a point, where we're going to reverse the past 30 years' trend toward curbing nuclear power. We have a vast problem in raw materials, including the reliance on fossil water, which we're running short of. It's a global problem of fossil water. Therefore, we're going to have go to high-temperature gas-cooled nuclear reactors, between the ordinary use of say, 120 to 200 MW, or 800 MW for producing hydrogen-based fuels. We're going to have to synthesize, with the aid of high-density nuclear power, many of the things, including freshwater supplies, that we need as a human species.

"Therefore, what the United States did, in this very foolish way with India, was to blow wide open, the question of the Non-Proliferation Treaty, which has been kicking around in various forms since the 1950s. We're now at a point, we've opened the jar, and we're now going to have to decide what kind of a nuclear policy we're going to have, which is a change, which allows us to use nuclear power on a large scale, to remedy many of the *physical* economic problems, which have now become close to desperate, or will become desperate in the coming generation or so."

And finally, LaRouche addressed the imminent blowout of the global financial system: "We're looking at something else which is much bigger, which is coming down on us now: It hovers around this Japan business of the carry-trade problem. A blowout of the Japan carry-trade, in one degree or another, will trigger a lot of things which are ready to blow in the financial system. We're looking at one of the biggest potential financial crises in all modern history, and we're going to have to deal with it. And this is a diversion from the fact that we need new forms of cooperation, to reorganize a bankrupt monetary-financial system, and to get economies, physical economies, actually moving again."

It is, LaRouche warned, the intersection of the Anglo-American efforts to launch a new Crusade against Islam, triggered by the Iran showdown; the further destabilizing contrast of that provocation against Iran, to the U.S. nuclear cooperation with India; and the imminent global financial tumult—taken as a whole—that defines a civilizational crisis that requires the ultimate diplomatic patience and wisdom to avert disaster.

That is where the world stands at this moment, and that is why the documents that follow are must-reading for all serious citizens on this precarious planet.

LaRouche: Iran Is Not the Problem; We Must Defeat Globalization

Here are Lyndon LaRouche's remarks to a private seminar in Berlin on March 6 (subheads have been added).

First of all, on the Iran crisis, the probable remedy in the short term, will come from negotiations between Russia and the government of Iran, because there is no other visible intermediary at this time which could probably do the job.

What we're looking for, is a time-buying operation. This was very unfortunate, bringing this crisis on from the United States and Britain, at this time, upon Iran. Iran had just had an election. It had things, internal affairs, to sort out after the election. And to bring this on, which was totally unnecessary, has created a danger for civilization, which Europe, in general, could not handle, and which is a problem for us in the United States itself, caused by Cheney.

I believe that there is a very good chance of success, of the intervention of Russia, as my opinion is echoed, I believe, by ElBaradei, the key negotiator. Europe can not at this point generally handle it, because Europe has internal problems also, in trying to deal with the United States, which would make it difficult for Central Europe, Western Europe, to deal with this problem at this time. So, I'm looking forward, optimistically, to the success of the Russian negotiations.

Now, if that were not to work out, we have a number of problems to discuss: First of all, what would be the effect of an attack if it came from the United States or some source sponsored by the United States? And what is really behind all of this nonsense? Were the attack to occur, it would probably result in a drive of the price of petroleum up to $100 to $150 a barrel, which would then be a crisis for Europe and other parts of the world in general, because we have a fragile economic situation, and the sudden zooming of the oil price to over $100 a barrel, would be a crisis.

A Major Financial Crisis Under Way

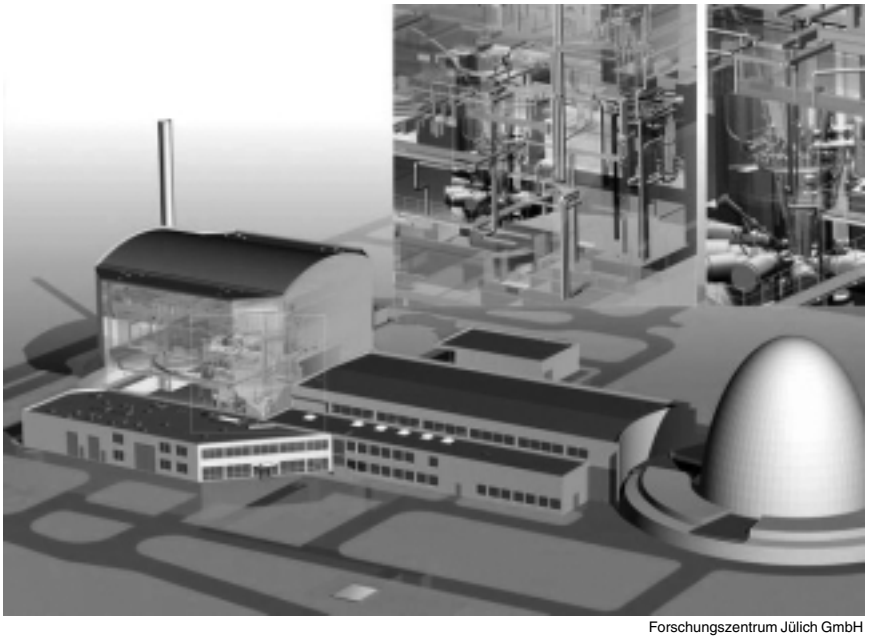
However, it goes much beyond that. At this time, we have already a major financial crisis under way, in terms of hedge funds, in terms of the things that happened in Iceland and New Zealand and so forth, and the world in general is going through a financial-economic crisis, headed toward a general collapse. So, under these conditions, the spread of a crisis in the petroleum-producing countries, nominally in Southwest Asia, which affects both Iran and the Arab countries adjoining it: There's an immediate danger to the Saudi oil fields under those kinds of conditions. If that were to go down, you can imagine what the effect would be, in terms of price of petroleum and the effect upon the economy of Europe, the United States, and other parts of the world. So, this is something that has to be prevented. The consequences of an attack on Iran, would be of that nature.

The attack, if it came, would come in the following form: It would come generally out of a faction in the United States associated with Vice President Cheney—and I'll speak of Vice President Cheney before I conclude these remarks today. But, what it probably would be, would be an aerial attack, or principally an aerial attack, with some use of special forces, ground forces of an irregular type, maybe not U.S., maybe something else. It could involve Israel, if Netanyahu were to become the Premier of Israel; it's a possibility. There's pressure from people in the United States to have Israel make an attack on Iran. Other forces in Israel, apart from Netanyahu, probably would refuse to make that attack. But Netanyahu is capable—and he's being pressured to do that.

If this happened, what it would do, is set off a chain reaction in the world, not only in the petroleum area, but also, it would consolidate what has been built up, during the 1970s to the present: a gradual attempt to start a Crusader-type of conflict in world affairs. That is, to make Islam the target, and to—as under the Crusaders, under the Venetian and Norman chivalry during the Middle Ages—to have perpetual warfare, and perpetual regime-change of that type, going on in the world. To take a billion people in Islam, and declare them an enemy, and open up what we call "irregular warfare" or "asymmetric warfare" throughout the world, among religious bodies, using the Islamic issue as the primary cause.

This would be, under these conditions, the end of civilization as we have known it. The world at present could not stand it. This is insane; that is, the idea of such a war is insane, especially in view of the consequences. But nonetheless, there is a determination in some quarters of the world, in London and in the United States, particularly, to have such a war. Jack Straw, the Foreign Minister of Great Britain, is a key player in moving things in this direction, as is Cheney in the United States. The President of the United States is not mentally competent. Cheney is the virtual acting President, and has been since the beginning of the Bush Administration, and therefore, that is a factor, a negative factor, but is not a causal factor in the situation. The key here is what Cheney works for.

And the other thing to bear in mind: You have to ask the question, since it's so obvious that from our standpoint, from



Forschungszentrum Jülich GmbH

EIRNS/Stuart Lewis

An artist's conception of Germany's research reactor FRM-II: "I've recommended for a number of years, that we proceed in India with the Jülich model, which is developed here in Germany, of the high-temperature gas-cooled reactor. . . . India needs tremendous amounts of power." Inset: Lyndon LaRouche at a recent webcast in Washington, D.C.

the standpoint of people in Europe, in general, and so forth, that this is an insane project, there's no need to do it; there is no immediate danger of nuclear attack from Iran; the U.S. official line is that Iran will not have the kinds of weapons that are talked about, for ten years, so, we have a lot of time to discuss these matters. Why should somebody in high position, the Vice President of the United States, high officials in Britain, with support from people in other parts of the world, want to have such an unnecessary attack on Iran at this time?

A Return to Nuclear Technology Is Inevitable

Let's take one other consideration on this thing, of the nuclear question: We do not need to settle, in the long term, the question of nuclear technology in Iran. It is not an urgent question, and it's not even a good question to try to settle at this time. We are at the point in the world, where the return to emphasis upon nuclear technology is now inevitable. This was a factor, of course, in Germany, and a cause for the recent snap elections, special election. The world is going back to an emphasis on nuclear energy.

The reason for it—and this is part of the picture—is that, for example, the world is short of fresh water, potable water. About 40% of the use of water in the world, depends upon what's called fossil water, digging down deep for water left by melted glaciers, at some depths under deserts or under other areas. Without the fossil water, we have a crisis for much of the population of the world. Therefore, we're in a situation, in which we have to have high-technology, high-energy-density processes to produce the fresh water needed for human consumption and other such uses. This requires nuclear energy.

We also have a fuel problem. We depend too much on petroleum. We're going to have to start to make hydrogen-based fuels for automobiles and other uses, rather than importing petroleum. Petroleum will become a product for making plastics and other kinds of things. It will not be used as a fuel.

Now, to produce hydrogen-based fuels for general use—and bear in mind that Japan is already developing hydrogen-based, fuel-driven automobiles—this is going to be a technology used around the world. To produce hydrogen-based fuels, you require, as one model, an 800-megawatt, high-temperature gas-cooled reactor, to do that. So, that would mean, in order to provide fuels, hydrogen-based fuels for various purposes, you would have high-temperature gas-cooled reactors of that type, in various countries, or the equivalent, to produce the fuels for this.

Also, we are in a period, in which the rate at which we are using up raw materials generally, is high. And now we have a population of about 1.4 billion people in China, over a billion in India: If the poor people in these countries are to realize their goals, of an improved standard of living, they're going to use up more raw materials. We can deal with that problem, through the world of people like Vernadsky in Russia, the old scientist. We know how to approach this problem of actually reproducing and maintaining the necessary raw-materials supplies for human life, even at a higher rate of consumption.

So therefore, for these and other reasons, we are naturally going toward—if we wish to survive and maintain civiliza-

tion, in a population of 6 billion people, or already more than 6 billion people—we're going to depend upon an economy which is based largely on very high-temperature sources of power. This means nuclear power; it will mean fusion-energy power down the line, and other things of that type. Low, or so-called soft technologies, can not provide for the security of the human race in times to come.

So therefore, the rationalization and rational use of nuclear technologies, is necessary for all humanity. And therefore, we must think of devising a rational policy, for using these modes of production for future generations. Therefore, until we understand exactly what we want to do with nuclear power, we should hold off trying to come to final decisions on what kind of nuclear power we're going to use, and how.

The Example of India

Just to give you one concrete example of this: India has the world's largest single concentration of radioactive thorium. Now, thorium is a radioactive substance which does not lead in any direct fashion at all, toward the production of weapons, of nuclear weapons. India has a lot of this. I've recommended for a number of years, that we proceed in India with the Jülich model, which is developed here in Germany, of the high-temperature gas-cooled reactor, as a mode used in India, because they have a lot of thorium.

Now, to get the radioactive thorium functioning in reactors for power, India needs tremendous amounts of power. India's one of the areas where the great water crisis exists, particularly in the southern part of India, in the Deccan, where they're drawing upon fossil water. And therefore, if we're going to deal with the terrible problem, of 70% extreme poverty in India, we're going to have to improve the standard of life, we're going to have to ensure them water, and we're going to have to give them power to do it.

But, to get this going, we need to use plutonium to charge the thorium, to make this program available. The United States government has interfered: They're trying to get the Indian government to agree not to use the plutonium resources they have, which are in the military sector, to charge the thorium units which would be in the non-military sector. So, already, we're dealing with this kind of problem, where in a rational policy on the use and control of radioactive processes, as power processes, we are putting irrational things in the way. That's why I say, we must hesitate, to go ahead to try to settle the question of nuclear technology, finally, until we get a better picture of where we're going, and what we intend to do about it.

For the purposes of our subject here, tonight, it's important to emphasize that the turn toward nuclear power, is a worldwide turn. It is going to happen; it is inevitable. The period of the recent 25 years or so of suppression of nuclear processes is going to come to an end: That is inevitable. The question is, we've got to bring the population to an understanding of the inevitability of this. This is being discussed in most governments of the world, in most circles in governments in the world. The only thing they're concerned about in dealing with this, apart from knowing they have to do it, is how are they going to tell the people that this is going to happen. Because it is inevitable, and the pressures for doing it will increase from popular sources, as the demands for the benefits from this process become more apparent to people.

So therefore, recognizing that it is understood by most leading governments of the world, that the turn to nuclear power, as high-density power, as opposed to so-called soft energies, is inevitable, and absolutely necessary, why would somebody try to do something to prevent a country like Iran from gaining access to this technology, or at least coming to an agreement for an orderly process which deals with this?

The further consideration is, that there is no reason to conduct nuclear war: No one could win nuclear war. So, why are you going to start a nuclear war—unless you're a madman? So, there really is no threat from nuclear warfare, in general, at this point. Because most of the world knows today, what the effects of nuclear war are. And there's no way that anyone can win, starting a general nuclear war, even on a fairly low level.

We already have chaos from the kinds of wars we are allowing to happen now. Why would somebody do, what Jack Straw of London, and Dick Cheney in the United States, and people like that, are trying to do, to get a nuclear war, or an issue of nuclear war, going in Iran?

The Problem Is Globalization

What we're dealing with, as you see with what happened to Germany in the period of the Maastricht agreement: Remember, that even though I was warning that it was inevitable that the Soviet system was going to collapse, and it did, about the time I predicted it would, that at that point, Germany was ready for being reunited and rebuilt. But London and Paris—Thatcher and Mitterrand—objected; and conditions were imposed upon Germany, that it would have to, in a sense, destroy some of its people, as we've seen in part of the former D.D.R., as in Saxony for example, where the economy is suppressed, because "Germany must not be allowed to develop as a power. Germany must be broken." So, you had a system which said: Put Germany under controls, under terrible conditions, which were actually fraudulent, in which Germany would support the rest of Europe, virtually, by subsidizing it, but would not be allowed to live and benefit from this process. We're now in a situation, with the unemployment in Germany for example, and the economic conditions which are worsening, which are a result largely of that Maastricht agreement, which is like an occupied country. The British and French come in, Mitterrand and Thatcher come in, and demand that Germany be put under the conditions of an occupied nation, again, as its own nation, as a condition of reunification.

This shows that what we're dealing with here, is, from Cheney and from other circles who are a part of this kind of

thinking, a determination to actually destroy parts of the world economy, as a way of keeping a kind of imperial system called "globalization," under which most of the human population, at present scale, could not live. That's their intention. So therefore, when you ask: Why would people behind Cheney, who are the kind of people, the same group of people who were behind the Thatcher-Mitterrand imposition on Germany at the time of reunification—why would these people want to destroy parts of the world economy? Why would they want to bring the whole world economy down, through a petroleum crisis, say, $150 a barrel petroleum, and things like that? Why would they want to do things like that? Why would a government, or people at the government level want to do that?

Just to get a general picture, this is not just Germany: If you look at Eastern Europe, the former Comecon countries, they're in worse economic conditions than they were under Soviet domination. The poverty is terrible. The desperation is terrible. Right-wing tendencies are arising out of those kinds of terrible social circumstances. So, there are forces in the world, which are determined to turn civilization back, under the title of "globalization." That's our problem.

Iran is not the issue. Iran is an issue only in the sense, that it has been picked out as a target, as Iraq was, for terrible treatment. But what is done to Iran, and the implications of an attack on Iran, now, for the world at large, indicate not that Cheney is making a mistake, not that Jack Straw is making a mistake, is misguided: They *intend* to do what their actions would cause. They *intend* to ruin civilization. We've seen examples of this otherwise.

Therefore, the problem is, that those of us who should have known better, have not prevented these people from coming into positions of power, where their imperial schemes for a one-world dictatorship in the name of "globalization"—where their schemes are allowed. We have to fight for the nation-state, for the defense of cultures, for the right of people to develop, to enjoy reasonable prosperity and progress. And somebody's against it. And Cheney's one of them.

There are these kinds of forces in the world. The attack on Iraq, the attack on Iran, the focus of attack on Iran now, are not the result of any "issue" as such. These are targets, as a part of a general policy which aims at many parts of the world: For example, look at Africa, look at sub-Saharan Africa, since the early 1970s, when a change in policy occurred. What have we done? We have promoted, from Europe and from the United States, forces have promoted an *increase* in revolutions, in wars, in all kinds of looting. We are committing mass murder in Africa, today! These wars were deliberate, they were organized, they were engineered. There are forces in the world, which would like to turn back the clock on civilization, because that's the kind of world they want.

The problem here is that we, who should understand this, and recognize this, who should be able to be represented in governments, don't mobilize our governments, and mobilize ourselves, to prevent these kinds of policies from continuing.

So, what you have, is, you have two things: First of all, Cheney is merely a tool. He's a tool of George Shultz, who is a part of an international financier group, in the United States, associated with Halliburton and Bechtel. And the war in Iraq was generally an operation, not so much by the U.S. government, as by Bechtel and Halliburton, who ran this war.

So, the problem is, that we have forces which can be called evil, in the world, who have these kinds of policies. And the problem is, we either don't recognize that pattern, or we think that there must be some issue in Iran, which caused the United States government to react as it has reacted; and the British side. It has not. There are simply forces in the world, who have power in governments, who shouldn't have power in governments, who have this kind of policy. And we're not doing anything effectively so far, to stop it.

Mobilize Around a Positive Alternative

Faced with an enemy of this type, how should we deal with it? Now, some people say, you have to hate and fight back. Well, you should fight back, but you shouldn't hate. The legacy of the achievements, where there have been achievements of European civilization, which have been outstanding, since ancient Greece—prior to the Peloponnesian War, of course—was that the approach to dealing with man, and the problems of enemy status among people, is not hatred, is not killing, but love for mankind. This was the policy which was known in the ancient Greek, as *agapē:* love for mankind, which became known as the regard for the general welfare of humanity, as the basis for modern European civilization, born during the Italian Renaissance of the 15th Century. This was the basis of the great peace treaty, of the Treaty of Westphalia, of love which got Europe to stop killing itself, with religious warfare.

And therefore, when you're dealing with an enemy, like Shultz and his crowd, the thing behind this attack, this focus on Iran, what you have to do, is mobilize humanity around a positive alternative, which reflects love for mankind, doing good for mankind.

We have the opportunity now to do that. I just give you one example from the United States. We haven't done it yet, but we're fighting it out. In the past year, or a little more than a year, I've played an increasingly significant role in the Democratic Party, with which I used to have some fights, even though I was associated with it. And in the beginning of last year, we recognized that the auto industry was about to be destroyed. Probably about two-thirds of the U.S. auto industry, or more, faces immediate destruction. You have a similar kind of problem in Germany, with the collapse of the auto industry here, and other industries. But the auto industry in the U.S. in particular, as I've pointed out to our friends in the Congress, and they agreed—they haven't done anything about it yet, but they agreed, and maybe they will do something about it—is that in the United States (and to some degree in Germany, also), the machine-tool-design capability of the

entire economy is concentrated chiefly in the automobile industry, among the machine-tool sector of the industry. We used to have it in the aerospace sector, also here in Germany, before much of that was shut down. The ability of a modern nation to develop its economy, lies chiefly in the ability of its machine-tool-design sector to translate science into better products, with better technologies.

Now, what I proposed, is simply that the Congress, with our Constitutional powers, create a special corporation to sort of subsidize and take over the auto industry—not as a permanent takeover of the industry, but to reorganize it—in order to use the two-thirds or so of the industry which is not going to be used now. Keep the people in place, but change the product they produce: We need to build a railroad system, we've lost it. The machine-tool design for a modern rail system or equivalent, lies in the machine-tool sector. We need to repair our rivers, our canal system, which is an essential part of our internal economy. They can do it! We need to build power plants: They can design it! They can do it. We can take two-thirds of our total industrial capacity, and without really moving anyone from the place in which they live, we can turn the part of the industry which is collapsing into a positive factor for rebuilding the U.S. and world economy.

We could do the same kind of thing in Europe; we could do the same kind of thing in Germany, if you had the authorization to do it. Take the machine-tool sector, which is being destroyed; keep it in place; keep people in place; and launch the projects, whether in public works or other things, which are going to give the country things it needs, which will increase the average level of wealth in the country, and deal with problems such as unemployment, in this way. We have the same thing to do in other parts of the world.

A Eurasian Development Perspective

So, with this kind of approach, let's look at the world, look at Germany: Germany's future lies as an industrial, science-driven nation, across Eurasia. You go from Germany, you can go into places like Belarus, into Russia, into Ukraine, Kazakstan, to the coast of the Pacific in China. These parts of the world are areas in which new development must occur, plus the development of raw materials, for example. Also in development of the conditions of the population. The kind of investments which are required have a useful economic life of about a quarter-century, in some cases a half-century, in infrastructure. China does not really have the ability to pay for this all at once, but with long-term credit agreements, say between Germany and other parts of Europe with China, you can set up long-term credit agreements at low rates, and therefore, Germany would be occupied, as other countries in Europe, in producing products which are needed for raising of the standard of productivity in China and these other countries in Asia.

So, you have a perspective of *Eurasian* cooperation, between European technology and Asian development, to bring up the level of the whole Eurasian continent. So a new Eurasian policy is the option for Germany. This is a great opportunity. And it's a long-term opportunity: It gives a mission and a destiny for nations that participate in it. These are the kinds of solutions we require, and they're available to us, in a very practical way, if we organize our governments, politically, to support our entrepreneurs and others in this kind of project.

People Will Fight To Save Their Nation

So, finally, one thing to consider: Here we have a great threat to humanity, a great threat represented by the policies of Cheney, Jack Straw in London, and so forth. How should we deal with this? The problem is that we find that our politicians are impotent—and I deal with politicians in the United States, I can tell you about their impotence. And many of them are my best friends! So, how do you get politicians, who behave with impotence, to suddenly find the strengths within themselves, to make the strategic decisions on which great endeavors of this type depend? Because, if you can, if you can mobilize the political forces, and mobilize the people around such political leaders, for these kinds of projects, *they will not tolerate something like this threat to Iran, right now!* They will not tolerate this threat to humanity. It's because people have become sophists: They sit back and say, "You've got to go along, and put up with this. You've got to accept this." Because they have no confidence, no courage. And they have no confidence and no courage, because they have no perspective, and they do not understand the efficiency of love for mankind as the greatest political force in world history, for the greatest things.

You fight Cheney by mobilizing people around objectives, which mobilize people with an idea of the beauty of the future before us. In that case, they find the courage to fight, just like the person who fights in warfare to save their nation. They fight, and risk their lives, for the future of humanity. They fight because they want to do something *good* with their lives: *Give them something good.* Give them some care for other people. Give them care for strangers in different countries. And they will rise with courage to deal with these kinds of problems.

Thank you.

Why European Oligarchs Hate the U.S.A.

by Lyndon H. LaRouche, Jr.

March 3, 2006

As Helga [Zepp-LaRouche] emphasized to a meeting of young adults, during a recent day's discussion in Berlin: Despite the heroic admiration of many Berliners, still today, for the famous Berlin airlift, and, as I added, for the memory of President John F. Kennedy, there is also a presently growing hostility to the idea of the U.S.A. in Europe generally, and in Germany, in particular. I commented on that part of the discussion, that the principal source of this, is not the atrocious behavior of the U.S. Bush-Cheney government, as much as it has been the effect of that "Green decadence" of 1968 onwards, which has paralleled that of the same trends of moral decadence in the Americas as in other parts of Europe. Nonetheless, although the trends on both sides of the Atlantic are comparable, and approximately parallel patterns, there is a specifically oligarchical aspect to the way this phenomenon is experienced in Europe.

Both North American and European expressions of this moral decadence are best understood against the background of *Prometheus Bound,* the middle portion of Aeschylus' *Prometheus* trilogy. The pattern should be traced along the following lines.

The keystone of this pathological trend on both sides of the Atlantic, is the spread of the anti-science cult of so-called "environmentalism," as this was launched by institutions such as the 1963 report on the subject of education of Dr. Alexander King's Paris OECD, as by the similar neo-malthusian schemes of the notorious Club of Rome, as by Rachel Carson's *Silent Spring* and by the later *Limits to Growth* hoaxes, by the Laxenburg, Austria International Institute of Applied Systems Analysis (IIASA), and the related Soviet form of the same moral corruption, the Global Systems Analysis institution. These reports are notable markers among the modes of mass brainwashing which were responsible for the spread of the "Green hysteria" rampant in Germany and other parts of Europe today.

One of the consequences of this factor of moral decadence came to the fore recently, in former German Chancellor Gerhard Schröder's well-founded appeal for a new general election, a call which reflected the impossibility, in fact, of continuing to govern a crisis-wracked Germany under a Social-Democratic Party encumbered by a "Red-Green" alliance. The new coalition government brought into being as a coalition of Chancellor Angela Merkel's CDU-SPD regime, does not solve the problem, although it provides an awkward transition to some, yet to be defined, new coalition of forces which might, hopefully, be capable of taking the kinds of unified action which the presently already desperate, and worsening prospects demand.

This is not, however, a specifically German problem; the problem is virtually global, but most clearly expressed in Europe and the Americas generally. The point of my argument here, is that the key for understanding the aspect of that global situation specific to Germany today, is to be found in an informed recollection of Aeschylus' attack on the evil represented by the Delphic Olympian Zeus of the *Prometheus* trilogy.

It must be recalled, that prior to Europe's Fifteenth-Century introduction of the principle of the modern commonwealth form of sovereign nation-state, all known forms of society in earlier European or other cases, were essentially oligarchical systems, systems in which the greater number of the population were held in a cattle-like state corresponding to the the banning of the people's knowledge of the use of fire by the Olympian Zeus of Aeschylus' *Prometheus* trilogy. Although Dante Alighieri's project for revival of a literate form of specifically non-Latin, Italian language, and his *De Monarchia* were forerunners of Cardinal Nicholas of Cusa's prescription for the sovereign nation-state, Cusa's *Concordantia Catholica* and his founding of modern experimental physical science in his *De Docta Ignorantia,* have formed the constitutional form expressed by the modern European form of sovereign republic since the establishment of the first actually functioning commonwealths, in Louis XI's France and Henry VII's England. On this account, the two referenced works of Cusa are functionally inseparable; without a generality of the practice of the benefit of generalized revolutionary progress in experimental physical science and related use of Classical standards of artistic composition and performance, the principle of citizenship in a sovereign commonwealth is not realized.

Thus, Luca Pacioli, Leonardo da Vinci, and Johannes Kepler are outstanding examples of the explicit followers of the precedent set by Cusa's *De Docta Ignorantia,* and Pierre de Fermat, Christiaan Huyghens, and Gottfried Leibniz followers in fact.

This set of distinctions of the principle of the modern commonwealth (the modern sovereign nation-state of all of the people of that nation) is conditioned by a single, principled distinction of the human individual from all other living species. That is the principle of action termed *dynamis,* the principle of the discovery of any truly universal physical principle, by such ancient Greeks as the Pythagoreans, Socrates, and Plato, a term adopted under the name of dynamics by Leibniz. The expression of this principle is typified by the Pythagorean Archytas' purely geometric doubling of the cube, the discovery of the uniqueness of the construction of the Platonic solids by Theaetetus and Plato, Kepler's uniquely original discovery of a universal principle of gravity, and by Fermat's unique

discovery of that principle of "quickest time" which later formed the basis for the catenary-linked definition of a principle of universal physical least action by the work of Leibniz and Jean Bernouilli.

As Albert Einstein emphasized at a time late in his life's work, the universe is *finite and unbounded,* a notion which I have qualified as *finite and self-bounded.* That means, that a true universal principle, such as Archytas' construction of the doubling of the cube, Plato's discovery of the uniqueness of the series of regular geometrical solids, Kepler's uniquely original discovery of universal gravitation, Fermat's discovery of quickest time, and Leibniz's uniquely original discovery and further development of the fundamental principle of the calculus, the universal principle of physical least action, are notions which are efficient as far as the universe could reach, a "distance" which is co-extensive with the universe. Einstein terms this condition as "unbounded." Since I, for reasons stated in other locations, have emphasized the role of creativity in determining the changing form of the knowable universe, I insist on the qualified term "self-bounded."

Ideas of this quality of universal physical principle, typify, together with comparable notions of only Classical modes of artistic composition, the essential functional distinction between man and the lower forms of life, such as the great apes. Persons who are permitted to exercise this quality of principle of discovery in their social functions within society, are thus expressing the distinction which places human beings absolutely apart from, and above the beasts.

The Oligarchical Principle in Law

Thus, the Olympian Zeus's banning of human beings from the discovery of the use of fire, typifies what the ancient Greeks knew from Mesopotamia as *the oligarchical principle* associated with not only the implicitly "flat Earth geometry" of the Mesopotamian model, but the model which ancient Sparta adopted from the Delphi cult of the Pythian Apollo, the model of ancient Rome, especially the Roman Empire, the model of the medieval system of the Venetian financier-oligarchy and its accomplice the Norman chivalry.

The oligarchical principle is known, otherwise, as the principle of law on which the distinction of the empire depends. Thus, Europe today, insofar as it accepts the notion of "independent central banking systems," representing a financier oligarchy ranking above government, is a system of oligarchies of the traditional Babylonian form. In such cases as states which submit to a higher lawful authority attributed to an "independent central banking system," the nation and its people are not sovereign, but, at best, rank as the dependent authorities, as local potentates, such as local kings, under an emperor.

This notion of *emperor* is a notion of crucial significance for law in general. Under the empire, only the agency filling the role of the emperor can make law. As under the Nazi *Kronjurist* doctrine of Carl Schmitt, which is copied by the members of the Federalist Society and its fellow-travellers in the U.S.A. today, there is no principle of law allowed apart from the will of the agency filling the position of emperor. Modern empires, such as the British Empire still today, are based on the notion of imperial law as based in the Venetian financier-oligarchical model. States which submit to an independent central banking system are not true sovereigns, but rank no higher in practice than local authorities existing by consent of the imperial authority represented by the financier-oligarchical system.

Bundesbildstelle

Queen Elizabeth II is treated by the world's dominant, private financier oligarchy as "a functionary like the old Doge of Venice, as an empress of the world."

For example, the essence of the British Empire today, treats the British Queen as an empress simply in her use by the world's dominant, private financier oligarchy as a functionary like the old Doge of Venice, as an empress of the world, in an empire as extensive in the world as the system of so-called independent central banking systems constituted as Venetian-style private financier oligarchies. Thus, the 1971-1972 wrecking of the dollar-based, fixed-exchange-rate Bretton Woods System, in favor of the Venetian oligarchical form of the floating-exchange-rate system was, from the standpoint of the U.S. Constitution, a treasonous act against the sovereignty of the U.S.A., rendering the U.S.A., thus, a mere king-like subject in an imperial system based on the concerted imperial power of the Anglo-Dutch Liberal outgrowths of the Venetian financier-oligarchy as defined by the partisanship of the founder of empiricism, Paolo Sarpi.

Here, precisely, lies the presently deadly predicament of Germany, typical among other nations today. Here lies the key for understanding the paradox which Helga and others reviewed in the discussion today.

The Green Disease

The "Green" disease, which has reined in, and ruined Germany, increasingly, since 1981-1982, is typical of the way in which a formerly relatively sovereign nation is reduced to

EIRNS/Chris Lewis

The slogan reads, "Nuclear Energy, No Thanks," at a demonstration in Wiesbaden, Germany, in 1996, on the anniversary of the Chernobyl nuclear accident.

virtual lackey status, by systematic suppression of the use of those creative-mental powers expressed by the combination of banning investment in scientific progress, just as the Olympian Zeus banned knowledge of the use of fire from the mortal subjects reigned over by the imperial sons of the legendary concubine Olympia. For example: this is the crucial issue which has motivated all of my bitter adversaries among leading financier and related political circles.

Modern European civilization, which was born during the course of the Fifteenth-Century European Renaissance, established the principle on which the modern sovereign form of European nation-state depends absolutely. This is the principle expressed by Nicholas of Cusa's referenced works, and by the rise of modern physical science and the revolutionary revival of the tradition of the Greek Classical principle in Classical artistic composition. The distinction of these notions of the role of the individual through science and Classical artistic composition, is that the one, physical science, depends upon the practice of discovery of a physical principle of the physical universe as the sovereign action of an individual human mind, whereas Classical artistic composition applies the same individual creative powers to the ordering of practice of social relations among a body of several or more persons. The application of conductor Furtwängler's principle of "performing between the notes" to a strict observance of the principles expressed by the J.S. Bach system of well-tempered counterpoint (as for such exemplary cases as Bach's *Jesu, meine Freude* and Mozart's *Ave Verum Corpus*), typifies the richly deep challenge to the performers which Classical artistic compositions present.

Thus, those two principles, of physical science practiced from the standpoint of the Pythagorean principle of *Sphaerics,* as by Plato, and as expressed most aptly in a modern form by the work of Bernhard Riemann, and the mastery of Classical art through the use of Classical counterpoint of Bach et al., are the exemplary pillars of knowledge suitable for civilized human beings. The development of a process of mastery of the practice of both, is the exemplary expression of the proper foundation for all education and general social practice today. Hence, the concerns expressed by the discussion among a relevant group of young adults in that referenced discussion arranged by Helga.

Without the practice of those notions of universal principles, of the individualized practice of physical science and application of the same creative principle to an explicitly social medium of Classical artistic composition, there can be no true sovereignty of the human individual within society. These are, uniquely, those qualities of function which distinguish the human being from the beasts. On this account, the results of that or contrary habits of practice, speak for themselves.

The introduction of the explicit hostility to scientific progress in physical economy associated with the "Green," so-called "environmentalist" movements, represents a literally bestial, direct attack on the functional distinction between man and beast. This attack, when combined with the neo-imperialist fad of destruction of the nation-state institution in favor of a new world empire called "globalization," is typical of the way in which post-World War II society was attacked to the effect of producing the new form of anarcho-syndicalist movement called the "68ers," a regressive movement whose characteristic expression is the anti-science "Green movement."

It is essential to recognize that it was not the "Green movement" which created the fiercely anti-social, destructive effects of present-day "environmentalism"; it was the imperialistic financier oligarchy, which created "environmentalism" as a tool for destroying society's power to resist a return to a form of imperialism, now global, based on the medieval model of the alliance of the Norman chivalry, engaged in permanent warfare and permanent revolution, on behalf of the goals prescribed by the Venetian financier oligarchy.

Although this is a common problem on both sides of the Atlantic, the problem so posed can be more readily understood from the vantage-point of the U.S.A., than in Europe. To make the same point: It was Europe which created the U.S.A. as an integral feature of the previously frustrated ef-

forts of the best souls of Europe, to establish a form of society consistent with true human freedom in Europe itself. As a consequence of the French Revolution of the 1789-1815 interval, with the triumph of the uneasy temporary alliance of Anglo-Dutch imperial liberalism with the relics of Habsburg rule, and the wars which Britain fostered among credulous European potencies to the greater glory of the Venetian tradition carried forward in the guise of the Anglo-Dutch-Liberal British imperium, the U.S.A. was relatively isolated and besieged until the Lincoln-led victory in the war against Lord Palmerston's Confederacy puppet. However, over the interval 1863-1876 the U.S. emerged as a continental power and the model of economy adopted by many governments, including Bismarck's Germany, in Eurasia and the Americas. In the course of two so-called "World Wars" of the Twentieth Century, the United States under the leadership of President Franklin Roosevelt emerged as the principal threat to the continued power over the planet by forces associated with the Anglo-Dutch Liberal version of the form of Venetian oligarchical-financial, imperial system, lately centered in the City of London.

From the moment of the death of President Franklin Roosevelt, the effort to undermine and then destroy what the U.S.A. represented was the intention of the Europe-based Anglo-Dutch Liberal financier oligarchy and its allies within the financial community of the U.S.A. itself. This was expressed in such leading forms as the founding of the infinitely morally rotten Congress for Cultural Freedom, including its destructive cultural role in targetted areas such as Paris and West Berlin. Increasingly, since the assassination of President John F. Kennedy, this campaign for the triumph of imperialistic forms of cultural decadence took the form of anti-Americanism among the younger generations, especially the "68ers," in Europe.

In the effort to produce this effect within Europe itself, the spreading influence of the morally and intellectually corrosive influence of existentialism, and a correlated hatred of scientific progress in agriculture and industry, were leading expressions of forces of moral and intellectual degeneration echoing the very worst of the conditions promoted by that Peloponnesian War which has been the outstanding precedent, as a benchmark in history, for study of the rampant decadence in Europe and the Americas today.

The Resurgence of the Oligarchy

The "Green Pest" which seems to rule where the windmills reign, seeming like a conquering force of H.G. Wells' Martian invaders, today, prompts one to think: "Where is Don Quixote now, when we have work for him to do?!!"

The political issue, when expressed in economic terms, is: whether the sovereign nation-state shall control financial processes, or whether financial powers operating as a higher authority than the national government, shall rule the nation, even the world. The so-called "free trade" system associated with Lord Shelburne's lackey Adam Smith, is a system of

"Where is Don Quixote now, when we have work for him to do?!!" Here, Gustave Doré's illustration of Don Quixote's famous joust with the windmills.

imperial world rule by Venice's Anglo-Dutch Liberal financier offspring. Allow "free trade," and the usurer will soon own you, and probably your Faustian soul as well.

Since the potential physical power of sovereignty lies with the people of the nation, provided the nations are sovereigns, the modern neo-Venetian imperialists could rule the world, as their scheme for early "globalization" is the form of the new world imperialism, only if the people of the nations are induced to make themselves stupid, as they have tended to do, increasingly, since the victims of the post-World War II Congress for Cultural Freedom (CCF) came into adulthood, and a condition beyond adultery, in the guise of the enraged "68ers." The characteristic of those "68ers" was their hateful regard for what were described as "blue-collar workers," the hatred of modern family-farm agriculture and modern scientifically progressive industry. The mass-brainwashing conducted by the existentialists of the CCF, which had been rampant in the education and other enculturation of the generation born, approximately, between 1945 and 1955, had cultivated dispositions which were given shape by the nightmares of nuclear-age "science fiction" horrors on kiddie television, and the real-life, "Armageddon Now!" horrors of the 1961-1968 rampages of the "military-industrial complex," and became, in the late Spring and Summer of 1968, the new, virtually global cult of Dionysius, the worshippers of the Gaea of the

Delphic cult of the Pythian Apollo. Not only did they have a form of imitations of the Sophist cults produced among Athenians by the ancient cult of Apollo, they embodied the effects of a system of conditioning, centered in the Congress for Cultural Freedom, which was an intended virtual copy of the ancient Greek Sophist cult.

The most essential distinction of Sophist cults is that they deny the existence of any knowable universal principle. Like the evil, real-life Thrasymachus of Plato's *Republic,* they believe that whoever has the power to impose arbitrary rules on society represents the only true force of law for society. In principle, they are best fairly described as pro-Satanic on this account, the assertion that no true principle exists, that, as for the Nazis, everything is allowed, including the denial of everything that distinguishes man from the beasts.

This kind of arbitrary power is used as a tool of manipulation of the society in two ways most relevant for our consideration here. To those relegated to the under-class, such as the lower eighty percentile of household-income brackets of the U.S.A. today, all is allowed: Steal their pensions, condemn them to death and torment by denial of essential care, destroy their children by virtually impossible conditions of life, including their drugging, and crush them generally, even kill off those deemed members of superfluous sections of the population. Kill for profit; kill for pleasure; kill, torture, and so on, for no other required reason, than delight in the effect this produces. Yet, to those who are, or approximate the members of an oligarchy, tempt them by affording them a sense of participating in the exertion of the power which the authors of this evil system, the modern neo-Venetians, deploy.

Like Carl Schmitt, the real monsters do not adopt Swastikas. They are the higher aristocracy of the empire, oligarchs, who dole out rewards and encouragements to those who do officiate in managing those masses degraded to the virtual status of cattle. When the captured Nazis and their like are punished, the real Venetian controllers return to the circles of the financier oligarchies of the world, to do the same evil all over again, this time, once again, as "most respectable" creatures.

The mass of people degraded as the typical "68ers" and their present-day victims were degraded, accept the condition into which they have been thrown as "the way things are," even such degraded mental states as the deluded defenders of the "Green cause." The oppressed thus adopt the chains of their degradation as the trinkets with which they are adorned. They now admire their oligarchs, like the slaves who would defend their masters against their masters' enemies. For them, there are now no principles; there is only whatever miserable bit they are left, by their degraded circumstances, to regard as their comforts and pleasures.

That is the way in which the new surge of love for the trappings of oligarchism has arisen within a Europe of lost principles today.

Strictly Speaking, There Is No Iran Crisis

by Lyndon H. LaRouche, Jr.

March 6, 2006

Twice, during recent days, I have been asked to speak publicly, in Berlin, on the subject of an alleged Iran Crisis. Strictly speaking, although there is an "Iran Incident," there is no "Iran Crisis." The actual crisis is best described as "A Crisis on the Global Chessboard," in which there are particular moves on the global board, moves which include the Iran gambit being played by the forces associated with Britain's Blair government and that government's set of particular U.S. accomplices. Those who profess the need to analyze an alleged "Iran Crisis," are simply demonstrating that they are not players in the situation, but are, rather, among those psychological-warfare objects which are being played.

The role of the Iran sector in this London-orchestrated affair, will be catalogued by competent analysts as a continuation of the evolution of what became known as Britain's Sykes-Picot gambits, most notably the role of the Sykes-Picot arrangement in luring Russia's Nicholas II into joining Britain and France in drawing Russia into a fools' alliance with Britain and France against Germany for what became known as World War I. When the matter of the current Iran gambit is located within that relevant historical context, and only then, one begins to understand the present Iran affair with at least a semblance of competent insight into the nature of the global strategic issues involved in that localized gambit.

That is to emphasize, that the targets of "The Crisis on the Global Chessboard" include Russia and China, Russia more immediately. However, the more immediate phase of the British-led game in progress, is the promotion of British Arab Bureau veteran Bernard Lewis's revival of the global anti-Islam strategy which had been the basis for the creation and perpetuation of that medieval imperialist alliance of the Venetian financier-oligarchy and Norman chivalry, known as "The Crusades." What is in progress, currently centered in Blair's and Jack Straw's Liberal Imperialist London, is the creation of that permanent state of warfare and revolution intended to be the organizing principle of a new form of global imperialism, a form currently labeled "globalization." A global, perpetual religious war against Islam, is the British imperial policy adopted currently, for this purpose, by the Blair allies associated with the U.S. Bush-Cheney regime.

The significance of Iran as a targetted locality within the broader, global scheme, is principally two-fold: to trigger a

North Atlantic Council

British Foreign Secretary Jack Straw (left) and Prime Minister Tony Blair are at the center of "the creation of that permanent state of warfare and revolution intended to be the organizing principle of a new form of global imperialism, a form currently labeled 'globalization.' " A perpetual war against Islam is now British imperial policy.

EIRNS/Stuart Lewis

British Arab Bureau veteran Bernard Lewis revived the global anti-Islam strategy which was taken up by Zbigniew Brzezinski, Samuel Huntington, and other U.S. "Crusaders."

collapse of the present world economy, by creating a devastating, global petroleum crisis within the general region of Southwest Asia, while spreading the forces of chaos, through the Caucasus and Central Asia and Ukraine, to wreck that current revival of Russia's influence with which the government of President Putin is currently associated. Hence, the efforts by Russia's government, to stabilize the situation in and around Iran, are the target of desperate energies currently being deployed globally by the forces of chaos, the Blair government and its accomplices in the U.S. Bush-Cheney government.

The current form of the "Great Game" is premised on the virtual success, since the post-Adenauer, post-Kennedy, and virtually post-de Gaulle middle to late 1960s, of the efforts to wreck both the U.S. economy and Franklin Roosevelt's fixed-exchange-rate, Bretton Woods monetary system, by change to a "post-industrial" orientation among the industrialized nations, and a "free trade" system for the world as a whole. The development of radical versions of the Lockean doctrine of "property" and of Adam Smith's "free trade" doctrine, has created a situation in which private concerts of financier interest rape and dominate existing, nominally sovereign governments: creating thus, already, a virtual condition resembling the medieval *ultramontane* system then dominated by the alliance of Crusaders with Venetian financier oligarchs.

A collapse of the present financial system would wreck existing governments, including, potentially, that of the U.S.A., thus leaving the principal concerts of "property holders" as the absolute rulers of the entirety of the planet. It is only when the interest of those behind the so-called "Iran Crisis" is defined from the standpoint of that neo-feudalist, current global strategy, that one can judge what interests the financier oligarchs controlling governments such as that of Blair and Straw, will prefer to defend. The worst possible strategic blunder would be made by those who are deluded into believing that the controlling motives of those oligarchical forces are in any sense what normal people would consider rational perceptions of self-interest.

How Supposedly Rational People Are Easily Deceived

Today, as for Pericles' Athens, which plunged itself into the ruin of the Peloponnesian War, the resulting doom was, as Plato emphasized, the corrupting influence of Sophistry on the mind and morals of foolish leading and other layers of the population. Instead of being governed by a quality of reason defined by regard for knowable principles of science, pandering to what are perceived as prevailing trends in popular opinion, especially the opinion predominant among the more powerful social strata, paves the pathway to self-inflicted doom. Such has been the trend in Sophistry among university products of the 1968 U.S.A. and Europe since the riotous events of that year.

Today's compromised leading layers of influence, as in Europe and the U.S.A., reject the existence of those kinds of universal principle we would associate with Kepler's uniquely original discovery of universal gravitation, and choose prevalent currents of current mere opinion as substitutes for principle. Agreements reached among some such leading currents, then tend to shape the evolution of current history, just as such devices of Sophistry sent Athens to its willful choice of doom in the Peloponnesian War.

In the case of the relevant "68ers," the most conspicuous cause of presently resulting economic and related great fail-

ures among the leading nations of Europe and the Americas, has been the way in which anti-labor, anti-farmer, anti-experimental-science trends among the most vocal of the 68ers led to the shift from highly successful producer economies, to presently rotting "services" economies. Worse than the obvious physical collapses which "post-industrial" trends in opinion have produced, is the destruction of the ability of the mind of the typical member of society to think rationally. Now, nearly four decades after 1968, the lurch toward ruin of society which erupted then, has virtually taken over Europe and the Americas, with more broadly radiated effects which now menace the planet as a whole.

This was not a result of some blindly chosen mistakes in policy-trends. These effects experienced today were broadly intentional back then, when the late-1960s shifts in policy-trends first erupted to the surface of great events of that time. Just so, the Sophistry by which those nations are being self-destroyed today, was planted with the intent to produce effects akin to the ruin being experienced today. The Delphic campaign of Sophistry spread among Athenian and other youth during the decades preceding the outbreak of the Peloponnesian War was paralleled, already, by a targetting of the generation born during the approximately 1945-1955 interval, in western and central Europe and in the Americas. The relevant forms of contemporary Sophistry were introduced chiefly in the form of existentialism, such as those systemically irrationalist trends of Bertolt Brecht and the Frankfurt School, under umbrellas such as the Congress for Cultural Freedom, and Dr. Alexander King's 1963 OECD proposal for a (destructive) reform in European education. These modes of corruption, targetting the new-born generation of 1945-1955, were complemented and reinforced by the terrifying effect of "Cold War" moods.

So, today, political and comparable leaders in society will capitulate to policies which they know are wrongful, merely because they have been conditioned to believe that those policies correspond to trends which have become "inevitable." It is therefore said: "We must accept the fact, that we must learn to live with current trends."

Belief in the existence of a specifically "Iran Crisis" is typical of the effects of such expressions of the current influence of modern forms of Sophistry.

The remedy is always to outflank generally accepted trends in opinion, as Frederick the Great once, so famously, flanked a well-trained, superior number of ably commanded Austrian forces. Step outside the commonly shared assumptions of one's time and place, to assume thus, a position overlooking the conventional follies of one's time. Even among my own associates, I have rarely encountered a prevalent opinion which was not ruinous; most of my signal personal achievements have been the result of my resistance to the wrongness of popular assumptions, even among my closest associates.

The idea of an "Iran Crisis" is a case in point.

Documentation

Foreign Minister Lavrov: 'Russia in Global Politics'

Moskovskiye Novosti *(Moscow News), a weekly Russian newspaper, on March 3, 2006 published this article by Russian Foreign Minister Sergei Lavrov. An unofficial translation issued by the Russian Ministry of Foreign Affairs is published here. Subheads have been added.*

The heading of the article reproduces the title of a journal published by the Council on Foreign and Defense Policy. As with the journal, the title is no accident; it is this topic that continues to disturb minds, both in Russia itself, and beyond its borders—perhaps more so in the last few months than before. And for good reason. The international situation continues to evolve, and with it Russia's role in global politics. Moreover, the process of crystallization in world politics has intensified noticeably. Certain realities are becoming clear, that have a defining significance for the emerging new architecture of international relations. Among them is the significance of the Russian factor in the mainstream of international life. This gives rise to a number of questions, some of which I shall attempt to answer.

The Russian analysis of the international situation begins from the assertion that in recent years, events have been developing in line with our ideas and assessments, that is, in the direction of democratic multi-polarity. Also pointing to this are phenomena like globalization's acquisition of an "Asian face," and the expanding practice of engaging in "strategic dialogues." In today's conditions, the correctness of our foreign policy's founding principles—pragmatism, multi-vectorness, and the consistent advancement of national interests without sliding toward confrontation—has been confirmed. Formulated in the first year of Vladimir Putin's Presidency, these principles have spread more and more widely to the foreign policy practice of other states, including the world's leading powers.

Contemporary international relations are difficult to understand if one does not bear in mind that they are in a transitional state, which by definition excludes the possibility of there being any kind of status quo (other than the fundamental principles of international law). However, one does get the impression that some of our partners are trying to secure their own hegemony in any new world order. I'm convinced that an approach like this is anti-historical, an out-and-out utopia, and is based on one of the myths of which so many arose immediately after the end of the Cold War, including the myth of "victors and vanquished." The "winners" syndrome is not

NATO Photo

Russian Foreign Minister Sergei Lavrov: "Russia cannot take anyone's side in the global, intercivilizational conflict that is unfolding, even if it is the result of extremist actions, provocations, and violations of international humanitarian law. However, Russia does not intend to take up a position as a detached observer."

simply a psychological problem; it has been showing up more and more frequently in practical issues of world politics, when the methods proposed to solve them have derived not from an objective analysis of the situation, or from the general principles of international law but from "political expediency" per se. By this logic, you can apparently endeavor to win independence for one former autonomy, for example, and demand its refusal for others.

Russia cannot cooperate on the basis of this view of the world. Our criteria for cooperation are the same for all our partners, including the CIS [Commonwealth of Independent States] countries, China and India, the United States and Europe, and other leading world states, which means full equality and joint action from the very outset, that is, joint analysis of threats, joint elaboration of solutions, and their joint implementation.

Evidently it has to be precisely stated that Russia well remembers, from its own past history, the infatuation with obsessive ideas about changing the world, and cannot identify itself with the similar projects being put forward today, no matter what they are called—whether "the universal advancement of freedom and democracy" or "transformative diplomacy." The world is undergoing a profound transformation, and more and more countries are searching for their own ways to engage in democracy, but it would be irresponsible to force this process. We have chosen to adapt our own foreign policy aspirations, as well as our domestic development, to the conditions of globalization, which is engendering too many problems as it is, for us to be creating new ones artificially. Herein lies one of the radical differences between Moscow's foreign policy philosophy, and the approaches of certain Western capitals.

The position of "constructive indeterminacy" is scarcely appropriate when it comes to such cardinal disagreements, especially in view of the headlong development of events which are creating a force-majeur in global politics. Under these conditions, as never before, maximum responsibility and far-sightedness are needed in reacting to crises and conflict situations. I am convinced that there is no reasonable alternative to their resolution by political-diplomatic means.

Avoid 'Conflict of Civilizations'

It must be noted that the majority of events are occurring in the Near and Middle East and have an intercivilizational dimension. This concerns the tension in the Middle East settlement ever since Hamas came to power in the Palestinian National Authority as a result of democratic elections. This also concerns the serious lasting problems in Iraq and Afghanistan, the exacerbation of the situation around Syria, the internal Lebanese situation, and the current development around Iran's nuclear program. Must events really be pushed further? Any settlement (if that's what we're striving for) is possible only on conditions not of isolation but by involving the states, regimes, and political forces concerned, which also assumes criticism of what we don't like. There is one choice: either further coercion that escalates to "a conflict between civilizations," or a compromise, which would require that all international factors reject outmoded prejudices and simplistic, one-sided views of the world, which do not mesh with the new reality of the multilateral approach as the optimal method for conducting world affairs.

By virtue of its history, geography, and culture, as well as the multi-ethnic and multi-confessional nature of its society, Russia cannot take anyone's side in the global, intercivilizational conflict that is unfolding, even if it is the result of extremist actions, provocations, and violations of international humanitarian law. Neither does Russia intend to take up a position as a detached observer. The only permissible approach for us is to implement an enterprising foreign policy strategy aimed at maintaining international stability, and reducing tension in the interests of arriving at negotiated settlements that are acceptable to everyone. Russia is prepared to

play the role of a bridge; our country has been just such a cultural-civilizational bridge throughout virtually its entire existence.

We can be a part of the efforts to reach a compromise, which always takes time and patience, but we cannot support dictates and ultimatums, which will drive us all into an impasse. This is the direction in which our proposals to internationalize services for the nuclear fuel cycle are going, as are our initiatives to search for an outcome around Iran's nuclear program, and our contacts with Hamas, which are intended to help lead this organization to accept the terms of the "Quartet" of international mediators. Great Britain's experience in Northern Ireland suggests that this is not easy to do. Compromises are possible only if they keep within the realm of legality, without damage to international security, and with unconditional respect for obligations under international agreements, including the nonproliferation of weapons of mass destruction.

Russia will not let anybody set it at loggerheads with the Islamic world, a point repeatedly made by President Putin. Speaking at a recent credentials presentation ceremony, the Russian President said that "in dealing with any, even the most acute issues in world politics, we shall unwaveringly and consistently strive to settle them by political-diplomatic methods and means, and by searching for compromises and accords."

Russia will not play the role of "front-line state" in the "cold war," which is now between civilizations. Nor is Europe likely to be ready for this role, where they have not yet fully realized that they have also have become a part of the Islamic world.

Dump Cold War-Style Dogmatism

Russia cannot take the side of a narrow, blindfolded view of things that is alien to a creative search for compromise as the main product of the art of the possible, and that rests on postulates, sadly famous here, such as "I cannot renounce my principles" or "Whoever is not with us is against us." Since the end of the Cold War, dogmatism and ideologized approaches to issues of international life are no longer attractive. We cannot adhere to a strategy at whose base lies someone's desire to defend his prestige. History confirms that madness can be collective. Thus, in the early twentieth century, Russia allowed itself to be drawn into the confrontational logic of European politics, which led to the tragedy of World War I, and a national catastrophe for Russia itself. The experience of the Twentieth Century demonstrates that it is every state's sacred duty to think for itself, and not to entrust its fate to events outside its control. Our country's foreign policy, especially cannot be held hostage to electoral cycles in other countries.

Many people are troubled by the mounting significance of the energy factor in global politics. Those who are used to thinking in geopolitical categories even think that this development alters the equation for strategic stability by reducing the proportionate weight of nuclear containment. Nonetheless, everyone agrees on the soundness of Russia's choice of energy security as the priority for Moscow's chairmanship in the Group of Eight. This is a matter of our country's responsible international leadership at a critical stage in the global situation. At the same time, any consistent development of Russia's energy sector obviously excludes for the foreseeable future the possibility of taking the energy resources of the Near and Middle East out of the equation on the global energy balance-sheet. The imperatives of global energy policy dictate the need for a moderate and respectful approach to all the problems of this region, including its socio-economic and political modernization. On the larger scale, we have to choose between stability in world energy, and a policy of "controlled destabilization" and "transformation," no matter what it affects.

The energy topic is also relevant in the CIS. The changes going on here are purging policy of its legacy of the past, and falling in with the logic of consensus, which has been the universal unifying principle for the globalizing world since the end of the Cold War, and specifically, the consensus that there is no alternative to democracy and the market as the foundations for societal development, assuming, of course, that the rates and forms of the transformations' implementation are a function of the specific conditions of each individual country.

Oddly, not everyone is willing to see that market prices for natural gas within the CIS mean the end of the "old, nostalgic" Commonwealth, and the beginning in the post-Soviet dimension of realistic, mutually advantageous policy, wherein all the countries of this region are regarded as genuinely sovereign. We call on our international partners to adopt this approach as well. I admit that those who were counting on "restraining" Russia in global policy at the expense of drawing it into a sticky confrontation in the CIS have been reluctant to notice the new quality of the situation in the Commonwealth. In the market's reaction, including to the liberalization of Gazprom shares, we see a vote of confidence in our actions from business, which is apparently weary of the politicization of energy issues.

Fifteen years ago, Russia won its freedom and the right to view things broadly and without blindfolds, including in international affairs. Those who study Russia professionally (and not just Soviet studies), and are working out policy toward it, must understand that it would be naive to expect from us a readiness to be content in the world with the role of one being led. We are prepared and want to be a team player, and are open to well-argued debates, and to being convinced. However, wherever there is a blatant shortage of far-sighted leadership, Russia is not going to shy away from its responsibility, and is going to offer its own analysis of the situation,

its own vision of possible solutions, while acting, naturally, within the framework of multilateral diplomacy and collective efforts. This is what our many partners expect from us, and we have no right to cheat their expectations, especially when there is so much on the table for the entire world community.

We are far from trying to impose our approaches on anyone. But we have to be aware that the Russian government, like the government of any democratic country, is accountable first of all to its people and is obligated to defend their interests. The Russian leadership's current foreign policy course, despite all the critical discussions on various aspects of it (as one would expect in a democratic society), enjoys broad support in the country. We see in this one of the foundations for the public consensus that has taken shape here, a crucial achievement for Russia's development in the last few years.

Sixty Years After Fulton: Lessons of the Cold War

This article, "Sixty Years of Fulton: Lessons of the Cold War and Our Time," by Foreign Minister Lavrov, was published in the Russian daily Rossiiskaya Gazeta *on March 6, 2006. An unofficial translation, issued by the Russian Ministry of Foreign Affairs, is reproduced here. Subheads have been added.*

On March 5, 1946, Winston Churchill delivered the Fulton speech, which was one of the most symbolic events of the Cold War. Two weeks earlier George Kennan's famous "long wire" was received in Washington, the Iranian and Turkish crises were developing in parallel, the Truman doctrine, the Marshall plan, and much else were shortly to be announced. But it was the speech by the former British Prime Minister that is generally thought to have introduced clarity into the development of events that had been brewing and eventually came to be named "the Cold War." It provided the most succinct definition of the new paradigm of international relations. The date is so close to another date, May 9, 1945, that they cannot be analyzed without close interconnection, although it is obvious that they symbolize two totally different eras—different in content, the view of the world and the very nature of international relations, different in terms of their consequences for European and world politics.

It would seem that now, 60 years on, when even the "post-Cold War period" has acquired a history of its own, it is possible to assess that turning point in world development with a measure of objectivity, if not with total disinterest. But the sources of the Cold War still remain obscure in many ways. That is why it is necessary to sort out what had happened then, how the pragmatic policy that united the anti-Hitler allies came to be replaced with a different policy, a policy of confrontation based on ideas and principles that could not but be divisive.

World Is at a Turning Point

I am convinced that too much in present-day international life calls for a critical review of the history of the Cold War, and a renunciation of the apologia of that complicated phenomenon of international life. The world is again at a turning point. And the conclusions we draw will go a long way to determine the future of the planet, and each individual country, including Russia. One cannot replay history, but one can figure it out in order to try not to repeat mistakes. If a sharp transition from allied policy to ideological confrontation was inevitable and justified, then such an interpretation of history will shore up similar approaches to problems in our times. If the Cold War was an aberration in the development of international relations, that logic can and must be reversed in the politics of today.

The Cold War was essentially about rivalry of the two systems led by the U.S.S.R. and the U.S., which had not only political-ideological, but also social-economic and other dimensions. The origin of the Cold War is not confined to the scheme prevalent in Western countries: the U.S.S.R. renounced cooperation with the Western allies and reverted to "communist expansion," and the West responded to the challenge of the Soviet threat. The slide toward the Cold War, as confirmed by archive documents and studies by objective historians, was at least a two-way process for which the U.S. and Britain bore much of the blame. The choice they made, based on premises that for the most part have not been justified, in reality initiated the creation of a new bipolar world order.

The policy of the U.S.S.R. throughout the second half of the 1940s, for all its toughness, was in many ways defensive, and in its own way had a consistent and predictable character. Mindful of the lessons of the Great Patriotic War, it was aimed at creating a protective belt of friendly states along the western borders, gaining access to the World Ocean and ensuring maximum defense depth all along the perimeter. Likewise, one should not forget that the Soviet Union, which had made the decisive contribution to victory over Nazi Germany, was stretched to the limit at the end of the war. Moscow was physically unable to come up with any initiative of confrontation with yesterday's anti-Hitler allies.

During the war, the U.S. and Britain showed a tolerant attitude to the geopolitical claims of the U.S.S.R., recognized the legitimacy of its security interests, and adhered to the course of integrating the U.S.S.R. into the Western community. The Victory dramatically changed the attitude of the Allies to the Soviet security interests.

Joint occupation of German territory should have re-

mained a unifying element for the anti-Hitler coalition. But it did not happen. Ideology came into play. Otherwise, it is hard to explain the Anglo-American slogan of "containing" the Soviet Union, a strategy that envisaged not only blocking "Moscow's expansion," but breaking up the Soviet system as the ultimate goal of the Cold War.

The factor of ideology, of course, could not be content with foreign policy alone. The course for isolating and wearing down the U.S.S.R. through the arms race, on which the West embarked, visited severe hardship on the Soviet people, and extended the existence of the Stalinist system. The conditions of a "hostile encirclement" and a constant threat to the country's security provided a justification for total control of the authorities over society and economic inefficiency of the system. The Cold War with its militarization and conformism, exacted a stiff price from the American people, distorting national priorities and the standards of democracy for a long period for the sake of countering an "external threat." Local conflicts during the Cold War carried away millions of human lives.

Danger of Rivalry for World Influence

Soviet-American rivalry for influencing the world was apparently inevitable, but it could have assumed other, less confrontational and less dangerous forms. Especially since the West had a clear edge over the U.S.S.R. in the whole spectrum of military, economic, scientific-technical, and other components of power, and hence, greater freedom of choice, and it could afford a far more moderate policy with regard to the U.S.S.R. Perhaps Churchill's speech had a bit of a self-fulfilling prophecy about it: the Soviet Union could not threaten the West at the time, but as the Cold War unfolded, it acquired such a potential. Instead of political settlement of differences, as the main architect of the "containment" strategy, George Kennan later admitted, what was expected from the Soviet Union was unconditional capitulation, but it was too strong to accept it.

"After the Second World War, we perceived Stalin's Russia as an expansionist and aggressive force and we replied in kind," wrote Henry Kissinger. "We recognize that thereby we probably gave the Soviet side the impression that we were trying to force the U.S.S.R. into a permanently losing position. We were not sufficiently well aware that the security needs of a continental power differ substantially from the needs of a power surrounded by oceans on all sides, as ours. Our history of absence of foreign invasions from 1812 made us impervious to the problems of the country that had repeatedly been invaded." Completing the picture was demonization of the rival and a black-and-white vision of the world.

One cannot but note the obvious haste of the Anglo-American decisions to unleash the Cold War. These decisions, so fundamental for the destinies of the world, were taken within a very narrow circle of two powers, and on a very shaky basis that proved to be a short-lived factor, namely, the monopoly on nuclear weapons. I believe that it is not only in hindsight that such an approach can be described as irresponsible. All the subsequent developments, the vicissitudes of geopolitical rivalry and the nuclear arms race, when the U.S.S.R. and the U.S. alternately gained the lead, provide ample grounds for such an assessment. But eventually the world passed on to detente, which marked, in effect, the West's recognition that there was no alternative to a policy of engaging the Soviet Union. A policy, let me note, which could have been chosen back in 1945-1946.

It appears that a crucial test for the policy of engagement was the issue of continued mutually beneficial trade, economic and financial ties between the U.S. and the U.S.S.R. in the post-war period. Moscow counted on it very much. The economy could have exerted a stabilizing impact on political relations. By putting forward a range of political conditions, the U.S. effectively renounced negotiations on Soviet proposals of credits that could have helped find a positive joint agenda.

Although Moscow did not entertain particular illusions, it still hoped that confrontation would not acquire such a total character. In the face of the policy pursued by the allies, Moscow had no option but to bow to the inevitable, albeit for its own ideological reasons.

History does not tolerate the subjunctive mood. But it is hard not to assume that the U.S.S.R., which had paid such a horrible price for the common victory whose fruits, though to varying degrees, were used by everyone, was ready to play by the rules and make compromises. Moscow provided considerable evidence for that. This is also borne out by the sequence of events, and their development in Asia in fact depended on the U.S. choice that was prompted by ideological motives. The price of cooperation may well have been a more moderate policy of Moscow with regard to Central and East European countries. But a sense of confrontation and pressure from all directions, lack of reciprocity, and incentives for coming to an agreement, ruled out such an option.

A Threat to International Relations

I see the reluctance to draw conclusions from the experience of the Cold War, and honestly and critically analyze its consequences as a manifestation of dangerous intellectual and psychological inertia that poses a real threat to international relations in our times. It is not about answering the seemingly trivial question as to who won and who lost the Cold War. The main thing is that everyone gained from its end because everyone has been freed from its shackles.

The policy of the Cold War shackled the UN by becoming a virtual alternative to genuinely multilateral diplomacy. The discipline of blocs, political expediency, and the interests of saving ideological "face" prevailed. I am convinced that it is precisely now, after the end of the Cold War, that the Organization can fully reveal its potential. To be sure, it needs to be

comprehensively adapted to the modern conditions, which is the aim of the unanimously adopted decisions of the 2005 summit. A solid basis for this exists, including the bedrock principles of the UN Charter. And if the UN managed to serve the interests of the world community in the worst of times, it is even more capable of doing it effectively today, given the good will of all the states.

Today, nobody needs to be persuaded that the world is faced with a real threat of a chasm between civilizations. It is provoked by terrorists, but not only by them. Playing into their hands are extremists on the other side, as is more than convincingly demonstrated by the "cartoon crisis" and the ideological approaches to international problems as a whole. Direct parallels with the experience of the "fight against communism," slogans that smack of Islamophobia, and relapses into the policy of double standards in the field of democratic development and defense of human rights, leave little room for any other interpretations.

The logic of the ideological approach to international affairs is diametrically opposed to the imperatives of globalization. Not only the opportunities, but the threats are becoming global. This suggests only one conclusion: the new challenges and threats to security and sustainable development can only be effectively opposed together, through collective efforts of the whole international community. The fact that security and prosperity are indivisible gives us no sensible alternative. In turn, it requires a common denominator to enable us to distinguish practical policies based on legitimate interests of states and a commitment to values whose interpretations inevitably differ.

The question of the sources and meaning of the Cold War is too important for us to be content with a "vague" understanding. There must be a maximum of clarity here. And one should not shut down the archives: The remaining issues cannot be cleared up without authentic documents. Russia is ready for joint research on a balanced basis, without a selective approach to history (and such attempts were made at the dawn of the Cold War also), its events, facts, and phenomena. We call on our international partners, above all former allies in the anti-Hitler coalition, to exercise this approach.

New conditions dictate a new formula of leadership in the modern world. Russia is convinced that the choice should be made in favor of responsible leadership in order to form common approaches with all the leading powers. Today it is possible: The international community has the political will for this. Our common overarching task should be to strengthen multilateral, collective principles of world policy.

The Cold War offers lessons that are common for all of us. They are the disastrous nature of the complex of infallibility and the wish to bestow happiness on other peoples against their will, the danger of militarization of international relations, and the temptation to rely on military methods of solving problems instead of settling them by political and diplomatic means.

Russia, having resolutely stepped out of the Cold War, ceased to be an ideological, imperial state. The liberation of Russian forces and resources can only be fruitful for the interests of Europe and the whole world. Russia has acquired a freedom to behave in accordance with its historical mission, that is, to be itself, and hence to make its full contribution to the common cause of maintaining international stability and harmony between civilizations at the critical stage of the formation of a new architecture of international relations.

The current situation in the world, for all its challenges, differs radically from the Cold War period. In spite of the relapses into old approaches, there is still a growing awareness of the common tasks facing all the countries. Russia, the U.S., and other leading states are interacting closely on a broad range of problems, including the fight against terrorism and the spread of WMD, in bilateral and multilateral formats, including at the UN Security Council, the G-8, and the Russia-NATO Council. Diverse trade and economic and investment links are developing between us, thus laying an objective foundation of inter-dependence and mutual interest that were so lacking before. Together we are tackling the problems of global energy security, protecting people's health from epidemics, and providing access to modern education. Joint understanding of our common past will only strengthen mutual understanding and trust, and enable us to finally overcome the legacy of the Cold War in world politics.

Deeper Strategic Realities Behind the 'Iran Crisis'

A private *EIR* seminar in Berlin on March 2 was the occasion for a lively debate on what to do about the world strategic and economic crisis. Discussion focussed on what really lies behind the London-steered drive for war against Iran; the viability of the Nuclear Non-Proliferation Treaty (NPT); the superiority of the American System of political-economy over the European model of independent central banking; the history of the current "imperial Presidency" in the United States; and the relationship between *moral principle* and *law*.

The featured speakers were American economist Lyndon LaRouche and his wife Helga Zepp-LaRouche, head of Germany's Civil Rights Movement Solidarity (BüSo). Conference participants, about 100 of them, included Arab, Asian, and African representatives; former German officials; former deputies from Parliament; scientists; and LaRouche Youth Movement members.

The seminar, titled "Iran Crisis: The Danger of a Global Asymmetric War Must Be Stopped," also heard from Jürgen Hübschen, an independent Consultant for Peace-Keeping and Security Policy; Prof. Cliff Kiracofe, a former Senior Professional Staff Member of the U.S. Senate Foreign Relations Committee; and, via a written speech, Prof. Mohammed el-Sayed Selim of Cairo University. *EIR*'s Michele Steinberg reported on the LaRouche movement's campaign in the United States to stop Dick Cheney's war drive.

Economic Breakdown and the Threat of War

Lyndon LaRouche's keynote speech was published in last week's *EIR.* Insisting that the so-called Iran crisis is widely misconceived (see article, p. 16), he underscored the fact that the fundamental issue is that "the world monetary-financial system, as it took shape especially during the latter part of the 1960s, and especially in the course of the 1970s, is now doomed." The biggest problem, he said, is the ability to create credit. "If you try to create credit by private banking, you're going to fail. That's how fascism came easily to Europe" in the 1920s and 1930s.

But in the United States, LaRouche said, "the advantage was, we have the American System, *not* the European system. The American System is based on *state credit,* not a monetary system. European systems are regulated by monetary systems, which means financier interests in the Venetian tradition, essentially more or less control governments—directly or indirectly. Private banking groups, as predators, often control governments. . . . They're going in, gobbling up things, gobbling up industries, destroying assets, hedge-fund raids on all kinds of assets in this country and other countries.

"To get out of this great world depression which we're in now . . . we're going to have to create a great mass of long-term state credit. . . .

"The leading edge of this investment of credit, now as under Roosevelt, will be in the state sector, the public sector. . . . as Roosevelt did, but on a larger scale, long-term investment, largely in infrastructure, such as rail, power, improvement of our aircraft system, things of that sort."

Respecting the Iran situation, LaRouche stressed the danger of plunging into a policy like the Crusades in the Middle Ages—one that will lead to a New Dark Age, one we cannot break free of, till Cheney is out of power.

In these twin crises, what must happen to make possible a future, is that the real United States, with Europe's cooperation, must be led to do its proper job in the world.

Helga Zepp-LaRouche's speech analyzed the situation in Germany as it evolved since 1989, and what went wrong since then in terms of East-West developments and missed opportunities. She described the development of the Cheney permanent war doctrine, which LaRouche had warned about in a 2001 webcast. In order to stop the "Clash of Civilizations" scenario, she urged instead a Dialogue of Civilizations.

We publish below the contributions of Hübschen, Kiracofe, and Steinberg, along with a selection of the discussion period, in which Lyndon LaRouche fielded questions on the crisis in Southwest Asia and the NPT. The speeches by Helga Zepp-LaRouche and Dr. Selim will appear in next week's issue.

Jürgen Hübschen

Can Nuclear Conflict With Iran Be Defused?

by Jürgen Hübschen

Mr. Hübschen is an independent Consultant for Peace-Keeping and Security Policy. He is a retired colonel, and former military attaché at the German Embassy in Baghdad. This speech was translated from German, and subheads have been added.

The Iranian President Mohammad Ahmadinejad threatens the West, especially Israel and the U.S.A.; and the West—under the leadership of the U.S.A.—threatens Ahmadinejad. Where should this lead, if those on opposite sides insult and suspect each other, instead of speaking with one another, as Kofi Annan, Secretary-General of the United Nations, has emphatically demanded? President Bush and his government, and the Iranian President both have the common problem of trying to create an internal political effect with their harsh words. The wind is blowing in the face of the American President for many reasons, but, above all, due to the lack of success in Iraq; and Ahmadinejad also faces considerable internal political difficulties. The man who, as mayor of Tehran, was outstandingly successful, and thus became a bearer of hope, particularly to the masses of the Iranian population, cannot at the outset fulfill the dreams and wishes of those who voted for him.

Last but not least, it is for both parties also a matter of pride and honor. The Bush government does not want to allow itself to be shown up by an ambitious middle-level power, and the Iranian government is not ready to renounce, without something corresponding in return, its specifically defined right under the Nuclear Non-Proliferation Treaty, of uranium enrichment for peaceful purposes.

How can this Gordian knot be cut?

Militarily, the U.S.A. has no possibility of expecting success in bending Iran to its political will. U.S. conventional ground troops are already under excessive pressure in their sorties in Afghanistan and Iraq. Thus there remains only an attack by cruise-missiles with conventional or nuclear warheads. For Vice President Dick Cheney and his neo-conservatives, both options appear to be thinkable, although all military experts and rational politicians in the U.S.A. have advised against it. In the case of an attack by conventional cruise missiles, Iran would hit back with its airforce and long-range artillery against the American troops in Afghanistan and Iraq; also Israel would be attacked with Iranian "Shahab rockets."

In the case of an attack by tactical nuclear warheads, the so-called mini-nukes, the world would be altogether changed. NATO would fall apart, the trans-Atlantic partnership would cease to exist. U.S. troops worldwide would be forced into retreat, from Europe to Asia. A world war could not be ruled out. All responsible politicians on both sides of the Atlantic therefore must do everything possible to make sure that an American military attack on Iran doesn't occur.

People in Washington, and also in the European Union, are backing the UN Security Council, for a political solution, as opposed to the UN Secretary General.* There the "Iran case" should now be handled. But it is necessary to first provide the proof that Iran is actually working in a way that's forbiddden, on a military nuclear program. That will be energetically disputed in Tehran.

The Nuclear Proliferation Issue

An instruction from the United Nations to Iran, to renounce its written right in the Nuclear Non-Proliferation Treaty, to peaceful use of nuclear energy, including uranium enrichment, has no legal basis. The same loud demand from the U.S.A. and the EU is politically understandable, but legally totally irrelevant. And that is also the reason why Iran has again taken up its uranium enrichment, in the presence and under the oversight of the International Atomic Energy Association (IAEA).

Tehran refers to the right by which Israel, Pakistan, and also India, meanwhile have nuclear weapons, and thus clearly violate the spirit of the Nuclear Non-Proliferation Treaty, which these three countries have not signed. Thus all three states have refused any control by the IAEA.

Also, the "official" nuclear powers—China, France, Great Britain, Russia, and the United States—would have great difficulties with their arguments if Ahmadinejad referred to the Nuclear Non-Proliferation Treaty, because it demands total nuclear disarmament by these countries.

Should the UN Security Council nonetheless renew the twofold (two-faced) measures, through which it grants other states what it denies to Iran, and decides on sanctions against Iran, it would presumably not be the government, as in Iraq, which would pay, but the population.

Proposals for a Solution

In the face of this background, is there still a solution?

I think yes. First of all, the right to uranium enrichment in every country, for civilian purposes, should be fundamental and expressly conceded to Iran, by the negotiations and even on the level of the UN Security Council, for psychological reasons. Perhaps you'll be surprised at such a concession, because Tehran doesn't totally abide by this law. It could be that Iran declares its readiness not to make use of its right, in the case that the community of states offers it another option

* Kofi Annan has sought to have the matter handled by the International Atomic Energy Association (IAEA)—ed.

EIRNS/Wolfgang Lillge

Hübschen told the seminar: "One wins allies, not through military force, and also not through political diktat, but through cooperation and confidence-building measures."

in the nuclear domain—as is the case with the Russian proposal—and declares itself thus ready for an intensive industrial collaboration with Iran. Nonetheless, the government in Washington must bring itself into direct talks with Iran, and signal Tehran, that it is possible to have a fundamental rethinking of American-Iranian relations.

Naturally, Iran, for its side, has to cooperate—without ifs or buts—with the IAEA. A voluntary signing of the additional protocol to the Nuclear Non-Proliferation Treaty, which provides additional powers to the IAEA, would be a clear signal of goodwill from Tehran.

Irrespective of that, India, Israel, and Pakistan must be forced to join the Nuclear Non-Proliferation Treaty, and provide unhindered access to IAEA inspectors to all their nuclear establishments.

Last but not least, the disarmament from the realm of nuclear weapons by the "official" nuclear powers, must be hastened.

The demand, already raised many times at the United Nations, for a nuclear-free zone in the Middle East region, should be declared an official goal of the world body.

Once more its credibility has been questioned in the conflict with Iran, and it is essential to show this credibility in words and also in deeds.

But next to credibility, realistic thinking and political foresight are also indispensable. Iran is on the way to becoming a regional power, and this cannot be stopped by the West in the long run. In addition to Iran's own capability, it has a close relationship with Russia and also plays a decisive role with China. History has taught that it is the smartest thing, if one can not defeat a potential enemy, to ally with him.

This is even more necessary in connection with Iran, because there is now an increasingly genuine collaboration between the Iraqi and Iranian governments. This tendency could strengthen further through the current political negotiations in Iraq for the construction of the government. The secular forces around the U.S. favor the former Prime Minister of the previous government, Iyad Allawi, have lost the elections in Iraq, and with that, the political influence of the U.S.A. dwindles in the "Land of Two Rivers." A political coming-together between Iraq and Iran is also an alliance between the number two and number three among the states with the greatest proven oil reserves worldwide. The greatest oil reserves have been found in Saudi Arabia, and that in the settlement area of the Shi'ite minority, which has close ties with Iran. The Gulf states don't want a renewed discrimination against Iran, but above all, don't want a provocation of the powerful neighbor, who dominates the opposite coast of the Arabian Persian Gulf, and controls entrance into it.

In addition, one can see the danger of a fundamentalist arc on the Arabian Peninsula, which extends from Iran, over Iraq, Syria, and Palestine, all the way to Lebanon. Toward the East there is the danger that it would expand from Iran to Afghanistan. The archaic systems in Saudi Arabia and Kuwait would not be a match for the pressure of such a crescent.

Through the electoral victory of Hamas in Palestine, Iran has now won an ally with government responsibility, next to Hezbollah in southern Lebanon, an ally which in the European view, has an important position on the opposite coast of the Mediterranean Sea.

Last but not least, you should not overlook the fact that the "Iran case" has finally become, for many states of the Third World, a test case, which concerns the future relationship between the so-called evening and morning lands.

If the West and the East do not show a mutual readiness for dialogue, and the political will to deal with all questions on an equal footing and eye to eye, without closing down these discussions for any reason, that is an extraordinarily dangerous development to be feared.

Because in many Islamic countries, there is neither a positive perspective for the future, nor does the "enlightened world" seek to convey and put through its own ideas and systems; one thus finds a return to traditional values in Muslim societies. The view of man and the dominant system is not oriented forward, but backward.

Before this background, there arises out of the nuclear conflict with Iran, the civilian war in Iraq, the renewed destabilization in Afghanistan, the electoral victory of Hamas in Palestine, the Mohammad cartoons, the current photos of torture in Abu Ghraib, and the United Nations report on the mistreatment of prisoners in Guantanamo, a political mix which must be identified as highly explosive. Prudence and political sensibility by all participants are therefore required, more than ever.

An important step toward de-escalation would be simultaneous talks with Iran and Hamas, and that eye-to-eye, and without any preconditions. That is, one wins allies, not through military force, and also not through political diktat, but through cooperation and confidence-building measures.

The NPT and Mideast Peace Prospects

The following are excerpts from the discussion following Col. Jürgen Hübschen's presentation to the Berlin seminar.

Q: We heard two very interesting proposals from Mr. Hübschen. One is to offer to Mr. Ahmadinejad, or to Tehran, to enrich uranium, for peaceful reasons, and that the world, or the UN, should have a treaty with Tehran. . . . And the other is to force Israel, Pakistan, and India to sign the anti-atom treaty. I would like to hear from Mr. LaRouche, how highly does he estimate the chance that we would come to a treaty, let's say, first with Israel. They don't even admit that they have nuclear weapons! You can ask them, and you find a big question mark.

LaRouche: Okay. On this question, I proposed at a diplomatic event in Washington recently, that we had to simply recognize that the Non-Proliferation Treaty is *dead meat.* It is a historic part of the situation. It was created in the 1960s, by the help of Bertrand Russell, whose virtues were attested to by the fact that he was the guy who launched the proposal, for Britain, of preventive nuclear war, as a way of establishing world government. And these fellows have not changed their opinion since then, even though Bertrand Russell is dead—that's the best achievement he ever made. But it was too late.

So, the point is, on the question of the NPT, forget it for the time being. Because it's not going to work.

We have to consider the realities of the world. First of all, we're not dealing with an East-West conflict—that's a different position. That's not the problem. That's artificial. What there is, is an attempt to maintain an empire. The empire has existed. We don't have nation-states. We say nation-states, that nation-states negotiate, but that's not the way the world is run. The world is run by financial powers, a system which existed in Europe, which has been run by the British for years. And they still run it. They still coordinate it. That's your problem.

The question is to create again, on this planet, the right of nations to have *true sovereignty.* Now, in consistency with that, Iran does have a right to full access to nuclear development itself. The question is, how can we get it there? On the NPT, no. Not at all. Keep away from it! It's out of date. For example, you can not have an economy in the world today, without high-technology, very intense, nuclear systems. The whole world has to shift to a nuclear system. Take the comparable case, India.

India, rightly, did not get into the NPT, because they knew how it would be played against them. But India has a problem now. It has the world's largest reserves of fissionable material for their thorium series. In order to run that, thorium reactors, and they need them—you take the water problems in India alone: Without high-temperature gas-cooled reactors, we can not deal with the physical problems of nations and peoples in many parts of the world. *It can not be done.* We therefore must have high technology of this sort, of this nuclear power.

My first encounter with this was a fight back in 1947, in Boston, on this question of insisting, that the issue of nuclear weapons is the issue, not of nuclear weapons, but of nuclear *power.* Because there's no possible way that you can win a general nuclear war. It was obviously implicit then, it was only implicit—it's now true—you can't. It can't be done. Therefore the issue is, the world needs to go beyond the so-called acceptable energy policies today. They won't work. You will kill more people with Greenies, than you will kill with nuclear weapons.

Without nuclear power, we can not meet the needs of the population today. . . .

The key thing is to shift, and say, we've got to buy time, we've got to get off this thing now. What the Russians are doing, is crucial. Let it work. Buy time. Build confidence. Get rid of Cheney. Get rid of Bush. Build confidence for the future. But then, come in with some positive proposals on cooperation and development. Nuclear power is one of them.

That's where that thing lies. I've been at this for years. I know this stuff. This is fraud. We get this idea we're going to negotiate this treaty, we're going to negotiate that treaty—it's not worth anything. You have to recognize that behind this whole thing, there's a player. The nations are being played. The conflict is not just between nations. The conflict is between the imperial power, sitting in London, or centered in London, which is still controlling much of the world. And if you don't break that power, if you don't break it, you're going to get Hell.

So, in the meantime, with these kinds of things, concrete issues, deal with them. Find temporary solutions which are equitable. Look ahead to the future, on things that we should be doing. But *break the power* that is centered right now in London! Otherwise, if you don't do that, you're going to get Hell on this planet, and all your negotiations are not worth anything. . . .

Israel's Role

Q: . . .To what extent can Israel facilitate the resolution of the current crisis [with Iran], contribute to a peaceful resolution? To what extent can Israel complicate the current situation? . . .

LaRouche: Well, one quick thing: We know that Israel has some nice submarines made by Germans, which are quite convenient for delivering things like that. And if Netanyahu were the Prime Minister of Israel, since he's an asset of George Shultz, who's the controller of Cheney, who is tied to the British interests involved, it could very easily happen.

One of our main concerns, one of the reasons I'm so concerned with getting Cheney out now, is precisely because I don't thing anybody else is crazy enough to let that happen. There's a very limited capability of that happening. But the implications of the event are so important, that even though there are strong limitations on its happening, the implications if it does happen, is like setting the fuse to a bomb. And therefore, there has to be grave concern about restraint on this thing.

The Israeli thing is a very complicated mess, because most of what's said about it, doesn't get to the hard truth. There's a real hard truth underneath, and that goes back to the question of imperial powers, of which Israel is a pawn. But in this case, right now, the Netanyahu factor is a danger. If Netanyhau were the Prime Minister, and were in control of Israeli capabilities, it is not impossible that George Shultz would push him to do it.

It's not certain that he would do it. For example, the former Prime Minister of Israel would not do it, for completely pragmatic reasons. Just wouldn't do it: Sharon would not do it. But he's now out of the picture, and this brings Netanyahu, who is a very dangerous character, into the picture.

Hübschen: To make an addition from a military standpoint: We also have to see the difference between theory and practice. Theoretically, Israel is able to destroy nuclear capabilities in Iran, there's no doubt. I think they have basically three options to do it: They can do it with aircraft, carrying the weapons; they can do it, I think, also with missiles. And, as Mr. LaRouche said, that means land-based missiles. And there is talk that they are also able to do it from submarines (I don't know if that is true or not). But that is the theory.

We can not compare the Israeli option in 2006, with the option they had 1981 with Iraq. Iraq, that was a highly professional military action, there's no doubt; but it was not that complicated. You need a couple of aircraft, you can go a direct way, and drop the bomb, and that's it. And as I said, I don't know very much about the Iranian atomic program in details, but I think it is absolutely evident that the installations are spread over the whole country. And it's also evident that they have underground installations, and that is much more difficult to crack. It depends how deep it is, and how thick the concrete is.

So, theoretically, they have the option. Practically, not. . . .

The Hamas Factor

Q: . . . How real is the threat from Hamas and Iran against Israel? . . .

Hübschen: . . . Hamas showed up for the first time, since it came into existence, for official elections. And what they expected was, that they probably could make a coalition with the Fatah, to govern Palestine. And then a big surprise: They won! They won with a majority of two-thirds. And I really can imagine that they were sitting there, saying, "Oh, my God! How can we manage it? How can we manage it? Who can become Prime Minister? Who will run the Ministry of Foreign Affairs? What about the whole administration?" Because, don't forget, Hamas members are living in exile, for example, in Amman. They are not allowed to come back (that's the guy who's travelling around now to tell other countries what Hamas is really thinking). There are others who are sitting in the West Bank, and they are not allowed to go to Gaza, and the other way around, because Israel can block it.

So, what I want to say is: There is a political program of Hamas. I personally reject that program totally, because they don't accept the existence of Israel, and that is absolutely stupid, there is no doubt. But that is an old program! And remember—the young ones here probably can't remember, but the oldies here, hey, we remember—what about the image of the Fatah, and the PLO of Arafat? The first standpoint was, "No, with these kinds of people, we don't talk! They're all terrorists!" And it ends up in Oslo, when Arafat received the *Friedensnobelpreis* [Nobel Peace Prize].

So, this shows us that it is absolutely stupid, from the first point on, to say, "No, there's no talk." Let them settle themselves down, and then talk to them, and give your conditions, in a way that you say, "If you want to become a member of the club, you have to accept the conditions." And one condition is definitely, that they accept the existence of Israel—but definitely in the borders of 1967, because that is written in UN Resolution 242. And I'm convinced that talks with Hamas are possible. But not in a way that you say, "Okay, before we talk with you, you fulfill first, second, third." That's the way we are definitely dealing with these kinds of countries, and that is definitely wrong.

LaRouche: You talk with them. They're the elected government. You talk with them because they're elected, period. You don't care what their conditions are, you talk to them. Because that's the basis, that's the way you begin. That's the way you get peace.

You know, peace is generally negotiated between enemies; therefore, you're going to meet your enemy. You're going to talk with him. You're trying to get peace. You won the war, you still have to settle it. You have to negotiate with the people who are submitting. You lose the war, you have to negotiate. You have no choice. This is the point where diplomacy comes in. Open the doors, discuss, and have some vision of a long view of where humanity's going. And if it takes 10 years, it take 50 years, you still do it. You do it, because the alternative is terrible.

Clifford A. Kiracofe, Jr.

U.S. Imperialism: The National Security State

Clifford A. Kiracofe, Jr., is a former Senior Professional Staff Member, U.S. Senate Foreign Relations Committee. He gave this speech to EIR*'s Berlin seminar on March 2.*

I thank our hosts for the opportunity to participate in our fourth meeting here in Berlin at this fine venue. It is a pleasure to be with you all today and to see many friends and colleagues in the audience. I will present an overview of the rise of the "National Security State" that the United States have become. This phenomenon includes the "garrison state" at home and global imperialism abroad, both controlled by an all-powerful imperial Presidency.

The project for the imperial Presidency, garrison state, and imperial foreign policy, was advanced after World War II by Presidents Harry Truman, Lyndon Johnson, and Richard Nixon. For five decades, the project has relied on the manipulation of fear, and the creation of "emergency" conditions, through the systematic deception of the United States public and Congress about the international situation and foreign threats.

Today, according to current official United States government policy statements such as the just-released 2006 *Quadrennial Defense Review,* the former "Soviet Threat" and "Red China Threat" have been replaced now by the "Islamic Threat" and the "New China Threat." The war against Iraq is ongoing, while preventive wars against Iran and Syria are discussed and military conflict with China is anticipated.

My presentation this afternoon will sketch out various stages in the rise of the U.S. National Security State. To properly grasp the current situation in the United States, for the purpose of foreign policy analysis, historical context is essential.

First, I will start with the notorious White House National Security Council policy paper "NSC-68" of April 1950 and then consider the Korean War.

Second, I will turn to the Gaither Committee Report of 1957, the so-called "Missile Gap" of 1960, and the "Team B" Report of 1976. In all of these, we will trace the hand of Paul Nitze (1907-2004) as one of the primary instruments of the imperial faction in the United States who made a career of falsifying the so-called "Soviet Threat."

Third, I will turn to a consideration of U.S. imperialism and the Vietnam War.

Fourth, I will consider Paul Nitze as a mentor of neoconservatives such as Paul Wolfowitz and Richard Perle.

Fifth, I will conclude with a consideration of the parallel between the imperial Presidency of Richard M. Nixon and that of George W. Bush.

Rise of the National Security State: Paul Nitze's NSC-68 and the Korean War

President Franklin Roosevelt hoped that after World War II the major powers—the United States, the Soviet Union, the United Kingdom, and China—would cooperate in concert, on a realistic basis, to promote international stability and peace. At the same time, President Roosevelt hoped that the United Nations organization would operate at the world diplomatic level toward the same end. The Cold War, and the bi-polar world the Cold War created, however, placed severe constraints on this vision, a vision that was shared on a nonpartisan basis by Democrats and Republicans alike.

Although the United States in good faith demobilized rapidly after World War II, unlike Stalin's Soviet Union, certain circles in the United States planned to reverse this and remilitarize U.S. foreign policy with a view towards a global imperial policy from which they could personally profit.[1] These "Establishment" circles, still with us today, contain representatives of finance, business, politics, academia, press, and the military.

This faction, which I refer to as the "imperial faction," was described by President Dwight D. Eisenhower as the "military-industrial complex." President Eisenhower's work developing the United States Industrial War College and mobilization planning in the 1930s, and his later leadership in World War II, made him fully aware of the nexus between industry, high finance, and the military, both in the United States and in Europe.[2]

In the earliest phase of the post-World War II "Cold War," 1946-48, we had the constructive and balanced vision of Gen. George C. Marshall (1880-1959), who served as Truman's Secretary of State (1947-49) and as his Secretary of Defense (1950-51). As Secretary of State, Marshall tasked Ambassador George F. Kennan (1904-2005)—a career diplomat, Soviet specialist, and head of the newly created Policy Planning Staff—with developing post-war planning that would get Europe back on its feet economically, while at the same time promoting a democratic political evolution.

Significantly, Secretary Marshall and Ambassador Ken-

1. For theoretical insight into the problem of imperialism, see J.A. Hobson, *Imperialism* (Ann Arbor: University of Michigan Press, 1965).

2. For background on the contemporary military-industrial complex, see Chalmers Johnson, *Blowback. The Costs and Consequences of American Empire* (New York: Henry Holt, 2000), and his *The Sorrows of Empire. Militarism, Secrecy and the End of the Republic* (New York: Henry Holt, 2004).

EIRNS/Wolfgang Lillge

Clifford Kiracofe (left) and Lyndon LaRouche at EIR*'s Berlin seminar on March 2. Kiracofe traces the tendency, over the last three decades, to erect "an imperial Presidency and a garrison state committed to permanent imperial war."*

nan emphasized the economic, political, psychological, and diplomatic elements of policy, and this emphasis was institutionalized in the original "Marshall Plan."[3] President Truman's later "Point Four" plan for aid to the developing world followed Marshall's concepts and emphasis.

As Ambassador Kennan has explained,

> The concept of containment, which I had been so bold as to put forward in 1947, had been addressed to what I and others had believed was a danger of the *political* expansion of Stalinist Communism—and especially the danger that local Communists, inspired and controlled by Moscow, might acquire dominant positions in the great defeated industrial countries of Germany and Japan. I did not believe, nor did others who knew the Soviet Union well, that there was the slightest danger of a Soviet military attack against the major Western powers or Japan. This was, in other words, a political danger, not a military one. And the historical record bears out this conclusion. Yet for reasons I have never fully understood, by 1949 a great many people in Washington—in the Pentagon, the White House, and even the Department of State—seemed to have come to the conclusion that there was a real danger of the Soviets unleashing, in the fairly near future, what would have been World War III.[4]

The balanced, and prudent, Marshall-Kennan approach, emphasizing non-military policy elements to restore Europe politically and economically, was overturned by the imperial faction that gained the upper hand in the Truman Administration. Clark Clifford (1906-98), a Washington, D.C. lawyer and Truman White House political insider, in September 1946 created a startling memorandum for the President, laying out the international situation in the starkest terms, emphasizing in apocalyptic tone what he perceived as Soviet global designs for world domination. The President was so shocked by this memorandum that he locked it away in his safe and prevented its distribution outside a small circle. The memo called for atomic and even biological warfare against the Soviet Union.[5]

The fundamental change in U.S. policy, however, came several years later, in 1950, with the policy paper produced by Paul Nitze for the White House National Security Council, entitled "NSC-68."[6]

Nitze was a Wall Street investment banker turned political insider.[7] After graduating from Harvard, he joined Dillon, Read, and Company of New York City, rising to become a vice president prior to World War II. James Forrestal (1892-1949), a partner of Dillon, Read who became Secretary of the Navy in World War II, then Secretary of Defense (1947-49), was well positioned to give Nitze good entry into Washington, D.C. political circles. Dillon, Read financed the German military-industrial complex during the 1920s and 1930s when Nitze was employed there.

Nitze took over the Policy Planning Staff at the Department of State after Ambassador Kennan resigned the post. This followed General Marshall's replacement by Dean Acheson, a Washington, D.C. lawyer and Democratic Party insider. The Acheson-Nitze perspective was radically different from the prudent Marshall-Kennan perspective, and there were profound policy implications as a result.

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3. For Kennan's perspective at this time, see Giles D. Harlow and George C. Maerz, eds., *Measures Short of War. The George F. Kennan Lectures at the National War College 1946-47* (Washington, DC: National Defense University Press, 1991). These significant, now declassified, lectures were presented by Ambassador Kennan while teaching at the National War College.

4. George F. Kennan, "America's Far-Eastern Policy at the Height of the Cold War," a lecture given in 1984, in George F. Kennan, *At a Century's Ending. Reflections 1982-1995* (New York: Norton, 1996), p. 94.

5. "American Relations with the Soviet Union," a report prepared by Clark M. Clifford and submitted to Truman on Sept. 24, 1946, printed in Arthur Krock, *Memoirs: Sixty Years on the Firing Line* (New York, 1968), Appendix A, pp. 431, 476-478, 482.

6. NSC-68, "United States Objectives and Policies for National Security," April 14, 1950, appears in *Foreign Relations of the United States* (Washington, D.C.: 1950), Vol. I, pp. 235-292.

7. On Dillon, Read and Company, see Charles Higham, *Trading With the Enemy. The Nazi-American Money Plot 1933-1949* (New York: Barnes and Noble, 1983), pp. 135, 212, and William C. McNeil, *American Money and the Weimar Republic Economics and Politics on the Eve of the Great Depression* (New York: Columbia University Press, 1986), pp. 72-75, 256, 259-60, 261-269.

It was Nitze's April 1950 "NSC-68" policy paper that overturned the balanced and prudent Marshall-Kennan approach to the Cold War and prepared the way for a dramatic militarization of U.S. foreign policy, aimed against the Soviet Union and the People's Republic of China. The paper called for massive increases in defense spending and building capabilities for fighting "limited wars" in peripheral areas around the globe.

As Ambassador Charles F. Bohlen (1904-73), a Foreign Service colleague of Kennan and fellow Soviet specialist, said in his memoirs:

> Soviet policy was presented as nothing more than an absolute determination to spread the Communist system throughout the world. As I have said before, even in those days I was convinced that the Soviet Union, as far as its own actions went, was largely motivated by its interests as a national state, and that the idea of spreading Communism was secondary to such considerations. . . . NSC-68's misconception of Soviet aims misled, I believe, Dean Acheson and others in interpreting the Korean War.[8]

Kennan's concept of patient long-term "containment," emphasizing political, economic, diplomatic, and psychological means, was replaced by an aggressive policy emphasizing military confrontation. The Marshall Plan itself then became militarized, contrary to its original spirit.[9] Kennan left government in 1949, returned briefly, and then was terminated in 1952 by incoming Secretary of State John Foster Dulles. Kennan became a scholar at Princeton University.

The Korean War, launched in June 1950 by North Korea, triggered the critical escalation of the Cold War and the conversion of the United States into a "national security state," or "garrison state," as President Eisenhower called it.[10] Today, through increased access to key archives, specialist historians argue that the Korean War was launched on the direct initiative of North Korea.[11] For different reasons, Stalin and Mao gave a "green light," to be sure, but it was a North Korean initiative and a Korean civil war, scholars say, and not part of a Stalinist blueprint for world conquest and World War III.[12]

EIRNS/Stuart Lewis

Paul Nitze was one of the primary instruments of the imperial faction; his protégés include Richard Perle and Paul Wolfowitz.

As Ambassador Bohlen explained, and this may be of particular interest today as we are meeting in Berlin and there are many German colleagues with us,

> At Acheson's request, I spent a month in Washington examining evidence to ascertain whether the Korean invasion was the forerunner of similar Communist military moves elsewhere in the world. I was working then with Gustav Hilger, whom I had known when he was German Minister in Moscow during the early years of the war and who happened to be in Washington. He was called in as a consultant after Korea. Born in Russia, he was fluent in the Russian language and an acknowledged expert on Soviet affairs. My conclusion was that there was little chance of the Soviet Union's repeating the invasion in any other place, such as Germany. The Soviet action in Korea was limited strictly to Korea.
>
> Hilger and Kennan shared my view, but we were in the minority. The Korean war was interpreted by Acheson and most others in the State Department, as well as the Joint Chiefs of Staff, as ushering in a new phase of Soviet foreign policy. Their view, which Truman accepted, was that having launched an attack on Korea—the first case of Communist open use of naked military force to expand the system—the Soviet Union

8. Charles E. Bohlen, *Witness to History 1929-1969* (New York: W.W. Norton and Company, 1973), pp. 290-291.

9. For a critical survey of early U.S. Cold War diplomacy, see Norman A. Graebner, *Cold War Diplomacy 1945-1960* (New York: Van Nostrand Reinhold, 1962). See also, John Lewis Gaddis, *The United States and the Origins of the Cold War 1941-1947* (New York: Columbia University Press, 1972), pp. 282-362, and his *The United States and the End of the Cold War* (New York: Oxford University Press, 1992).

For insight into U.S. intelligence community assessments, and declassified documents in the early Cold War period, see Woodrow J. Kuhns, *Assessing the Soviet Threat: Early Cold War Years* (Washington, D.C.: Center for the Study of Intelligence, Central Intelligence Agency, 1997), online at www.cia.gov/csi/books/coldwaryrs/index.html. The Preface is most helpful, and the declassified documentation valuable.

10. For the most recent scholarship, see Mark F. Wilkinson ed., *The Korean War at Fifty. International Perspectives* (Lexington, Va.: Virginia Military Institute, 2004).

11. Chen Jian, "China and the Korean War: New Findings and Perspectives in Light of New Documentation," *ibid.* pp. 66-86.

12. For an excellent overview of the Korean War, see Joseph C. Goulden, *Korea. The Untold Story of the War* (New York: Times Books, 1982).

was likely to call on satellite armies elsewhere, particularly in East Germany, to spread Communist control. They were understandably influenced by emotions engendered by the Communist invasion. At various meetings, Kennan and I argued in vain against this thesis.

We were particularly opposed to plans for a counterinvasion of North Korea. We warned that Communist countries would react strongly if hostile forces approached their borders. We had both China and the Soviet Union in mind, of course.[13]

But the imperial faction in Washington was quick to take advantage of the North Korean attack to impose its will on U.S. foreign policy through the manipulation of fear and the creation of an atmosphere of crisis and emergency. Indeed, U.S. military forces under MacArthur's arrogant leadership recklessly crossed the 38th parallel and approached China's borders. After a due official diplomatic warning from China via India and multiple other diplomatic avenues, and an initial military intervention, the Chinese next sent some 400,000 troops against U.S. forces.[14] Overall some 2.5 million Chinese military and some 500,000 Chinese civilians would serve in the Korean War.

The Korean War was immediately painted by the imperial faction as a demonstration of Soviet global designs and a step in its master plan for world domination and even "World War III." At the same time, a potentially viable U.S. policy option—based on multipolarity—for easing mainland China away from the Soviet bloc by normalizing our relations with Beijing, and developing commercial relations, was dropped.

Although our close ally, the United Kingdom, and a number of other countries, quickly developed relations with Beijing, the United States pressured Japan, and other countries, to refrain from so doing.[15] The People's Republic of China was treated by Washington as a "pariah state" or "rogue state," much in the same way Iraq, Syria, Iran, and North Korean are treated by the current Bush Administration.

This mode of foreign policy posturing should not surprise us, as there has been a clear continuity for five decades in political lobbying—organizations and personnel—on Capitol Hill, and across the United States, from the old pro-Taiwan "China Lobby," to the anti-Communist "Vietnam Lobby," to the contemporary anti-Iraq-Syria-Iran lobby.[16]

Historian Arthur M. Schlesinger, Jr. of Harvard University, in a book published 33 years ago, ably described the situation in the 1950s:

> . . . in the 1950s American foreign policy called on the American government to do things no American government had ever tried to do before. The new American approach to world affairs, nurtured in the sense of omnipresent crisis, set new political objectives, developed new military capabilities, devised new diplomatic techniques, invented new instruments of foreign operations and instituted a new hierarchy of values. Every one of these innovations encouraged the displacement of power, both practical and constitutional, from an increasingly acquiescent Congress into an increasingly imperial Presidency. . . . Washington appointed itself the savior of human freedom and endowed itself with worldwide responsibility and a worldwide charter . . . the guardianship of world freedom required, first of all, an enormous military establishment. . . . The new American approach to world affairs, the obsession with crisis, the illusion of "world leadership," the obligations of duty so cunningly intertwined with the opportunities of power carried forward the process, begun during the Second World War, of elevating "national security" into a supreme value.[17]

The highly unpopular Korean War, of course, ended Truman's political career on a black note, as his national approval polling crashed into the 20% range.

President Dwight D. Eisenhower came into office with the task of extracting the United States from the Korean War quagmire, which he did. Eisenhower's overall philosophy of government was what some academics have called "defense liberalism." He strove to emphasize peacetime conditions under which military spending could be reduced, so as to allow for increased private sector initiative, peacetime oriented government spending, balanced budgets, inflation control, and lower taxes.

History records that, despite the Cold War, President Eisenhower restrained, even cut, defense expenditures, as he felt the United States was overspending in this area of the national budget. Instead, Eisenhower emphasized major government-supported civilian infrastructure programs, such as the Interstate Highway System and the St. Lawrence Seaway and private sector initiative.

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13. Bohlen, *op. cit.,* p. 292.

14. For a concise Chinese perspective, see Xia Liping, "The Korean War and Chinese-American Relations," in Wilkinson, *op. cit.,* pp. 264-276.

15. See, for example, Osamu Ishii, "China Trade Embargo and America's Alliance Management in the 1950s—The Japanese Case," *Hitotsubashi Journal of Law and Politics,* Vol. 20, February 1992, pp. 23-30, and Tadashi Aruga, "The Problem of Security Treaty Revision in Japan's Relations with the United States: 1951-1960," *Hitotsubashi Journal of Law and Politics,* Vol. 13, February 1985, pp. 31-60.

16. For example, see in particular Stanley D. Bachrack, *The Committee of One Million. "China Lobby" Politics 1953-1971* (New York: Columbia University Press, 1976), and the revealing study by Andrew F. Smith, *Rescuing the World. The Life and Times of Leo Cherne* (Albany: State University of New York, 2002). Also, Lewis McCarroll Purifoy, *Harry Truman's China Policy. McCarthyism and the Diplomacy of Hysteria, 1947-1951* (New York: New Viewpoints, 1976), and W.A. Swanberg, *Luce and His Empire* (New York: Charles Scribner's Sons, 1972).

17. Arthur M. Schlesinger, Jr., *The Imperial Presidency* (Boston: Houghton Mifflin Company, 1973), pp. 164-165.

Harry S Truman Library

President-elect Dwight D. Eisenhower speaks with reporters during the transition from the Truman Presidency, Nov. 18, 1952. "Eisenhower's vision for the United States and international life contrasted sharply with the dark vision of the imperial faction."

Eisenhower's defense strategy, known as the "New Look," emphasized: adequate nuclear deterrence, moderate defense spending and appropriate force structures, avoidance of large-scale conventional military intervention in peripheral areas, and diplomacy.

Eisenhower's vision for the United States and international life contrasted sharply with the dark vision of the imperial faction which sought the erection of a "garrison state" on a permanent imperial war footing fighting global "protracted war."[18]

Paul Nitze: the Gaither Committee Report, the 'Missile Gap,' and 'Team B'

What was the imperial faction's response to the Eisenhower policy to lower the defense burden on the federal budget, other moves to calm Cold War tensions, and desire to restore a peacetime life and normalcy in the United States?

The imperial faction strove once more to create an intensified sense of external threat and "emergency." Not surprisingly, we find Paul Nitze again playing a critical role in the escalation of Cold War fears in 1957. At this time, a study on the U.S.-Soviet military balance was put together by the "Gaither Committee," a group of outside advisors originally tasked by the White House, as the "Security Resources Panel," to consider civil defense issues.[19]

Nitze played a central role drafting the committee's final report, which was a sharp criticism of the Eisenhower Administration's overall defense policy. The final report, using language similar to Nitze's NSC-68 document, claimed there was a rapidly growing Soviet intercontinental nuclear missile capability. The report laid the groundwork for the "missile gap" propaganda of the late 1950s and early 1960s. Similar propaganda, in 1955, created a falsified "bomber gap" threat. The Gaither Report called for increased defense spending on the nuclear triad, as well as spending to create a capability to fight "limited wars" in peripheral areas around the globe.

In January 1958, a similar report was created for the Rockefeller Brothers Fund, under the direction of a young Harvard professor named Henry Kissinger. Kissinger's report offered a sharp criticism of the Eisenhower defense policy and called for defense budget increases and policies, much the same as the Gaither Committee report. The Gaither Committee report was a classified government secret document, while the Kissinger report was public and, hence, could be used politically in the Fall 1958 Congressional mid-term elections and in the run-up to the 1960 general election. There was an overlap in the teams of consultants for both reports, which explains the similarities of criticism and policy recommendations.

The Rockefeller Brothers Fund report drafted by Kissinger was used by Nelson Rockefeller, then Governor of New York, to attack President Eisenhower's defense policies, and thereby force a change in the Republican Party's foreign policy and defense policy in the direction of the requirements of the Wall Street-based imperial faction and away from the Eisenhower "defense of liberalism" perspective.

During the 1960 Republican Convention, held in Chicago, Richard Nixon secretly left the convention and went to

18. See the discussion of the "garrison state," a hypothesis developed by social scientist Harold Lasswell in the 1930s, in Samuel P. Huntington, *The Soldier and the State. The Theory and Politics of Civil-Military Relations* (New York: Vintage, 1964 reprint of 1957 ed.), pp. 346-350, and the discussion on "defense liberalism," pp. 392-399. Huntington writes from the perspective of the imperial faction, and was so mentored by Harvard Professor William Yandell Elliott and Paul Nitze, among others.

19. H. Rowan Gaither was Chairman of the Ford Foundation and also of the Rand Corporation. For the report, see *Deterrence and Survival in the Nuclear Age (The "Gaither Report" of 1957)* (Washington, D.C.: Government Printing Office, 1976).

New York City to meet with Nelson Rockefeller. Rockefeller demanded that Nixon accept his defense policy views and influence the convention accordingly. Nixon accepted, and returned to Chicago to work with the Rockefeller Republican forces to defeat the Eisenhower defense perspective.[20] This meant that, whichever candidate won the coming election (Nixon or Kennedy), the imperial faction's defense policy and imperial strategy would be implemented, as Kennedy had adopted the same policy perspective. Traditional Republicans called the Nixon capitulation to the Rockefeller-Wall Street forces the "Republican Munich."

History records that there was no "missile gap." Our intelligence services, and President Eisenhower, knew this from the Central Intelligence Agency's secret U-2 flights, which began in 1956, and other national technical means such as the CORONA satellite launched in August 1960, SIGINT (signals intelligence), and HUMINT (human intelligence) such as the Penkovsky case. The hyperinflated Soviet threat was a calculated deception on the part of Nitze and the Gaither Committee, and the Kissinger Rockefeller Brothers Fund report, for political purposes, to support massive increased defense spending and an imperial foreign policy.

The manipulation of fear, and attack on Eisenhower's policies, for political purposes, served Nitze and the imperial faction well. Eisenhower was at a particular disadvantage, as he could not reveal sensitive intelligence "sources and methods"—such as the U-2 aircraft, the CORONA satellite program, and the Penkovsky case—and he did not want to unnecessarily provoke the Soviet Union by propagandizing the clear U.S. nuclear superiority embodied in the missile-bomber-submarine triad.

Nitze joined the John F. Kennedy campaign as a special advisor, and the "missile gap" propaganda was used against Republicans in the 1960 election.[21] However, candidates Kennedy on July 23, 1960 and Lyndon Johnson on July 28, 1960 were briefed specifically on the strategic missile issue by CIA director Allen W. Dulles.[22] After the election, on Feb. 8, 1961, President Kennedy gave equivocal answers to press questioning on the "missile gap" issue.[23] Kennedy was trying to cover himself politically, owing to the truthful, but impolitic, remark at a press conference by then Secretary of Defense Robert McNamara, that there was no missile gap.[24]

Kennedy's national security strategy involved the main points of NSC-68, the Gaither Committee Report, and the Rockefeller Brothers Fund report. Kennedy's defense policy became known as "Flexible Response," and was based on increased nuclear capabilities in the ground-air-sea triad, as well as the capability to fight conventional and unconventional wars in the periphery, Vietnam becoming a case in point.[25]

Nitze was well rewarded by Kennedy and went on to become Secretary of the Navy (1963-67) under Kennedy and Johnson, and Deputy Secretary of Defense (1967-69) under Johnson. He next served as a member of the U.S. delegation to the Strategic Arms Limitation Talks (SALT) (1969-73) under Nixon, and then became the Assistant Secretary of Defense for International Security Affairs (1973-76). He became Reagan's chief negotiator for the Intermediate Range Nuclear Forces Treaty (INF) (1981-84).

Paul Nitze and the Neo-Conservatives

Within the Cold War context, as we have seen, Paul Nitze was one of the key members of the imperial faction, combining personal wealth and social position with intellectual ability and political influence.[26] It is significant that Nitze's two most notorious protégés, Richard Perle and Paul Wolfowitz, played a major role in pushing the United States into the Iraq War. Perle, Wolfowitz, and their circle form an important part of the second generation post-World War II imperial faction. The military-industrial complex requires a network of such defense intellectuals arrayed across the United States in a variety of think-tanks and universities, to help justify massive defense overspending.

Perle, Wolfowitz, and others were also schooled by Prof. Albert Wohlstetter (1913-97), a mathematician and nuclear "strategist" who had served at the Rand Corporation and later taught at the University of Chicago. Wohlstetter's methodology, based upon abstract models, produced the sort of hyper-

20. This situation is treated in Theodore White, *The Making of the President 1960* (New York: Atheneum, 1961), pp. 208-227.

21. For a brief comment, see Dwayne A. Day, "Of Myths and Missiles: The Truth About John F. Kennedy and the Missile Gap," *The Space Review,* online at www.thespacereview.com/article/523/1. For academic studies, see Christopher Preble, *John F. Kennedy and the Missile Gap* (DeKalb: Northern Illinois University Press, 2004); Peter Roman, *Eisenhower and the Missile Gap* (Ithaca: Cornell University Press, 1996); and David L. Snead, *The Gaither Committee, Eisenhower, and the Cold War* (Columbus: Ohio State University Press, 1999). For a useful early study, see Morton H. Halperin "The Gaither Committee and the Policy Process," *World Politics,* Vol. 13, No. 3 (April 1961), pp. 360-384.

22. Allen W. Dulles, Director, Central Intelligence Agency, "Memorandum for the President," Aug. 3, 1960, online at www.thespacereview.com/archive/523.pdf.

23. President John F. Kennedy, News Conference Number 3, Feb. 8, 1961, online at the John F. Kennedy Library website, www.jfklibrary.org/jfk_press_conference_610208.html.

24. See Preble, *op. cit., passim* for discussion of this point.

25. On Vietnam policy, see the classic by Neil Sheehan, et al., *The Pentagon Papers* (New York: Bantam Books, 1971). Also, Bernard B. Fall, *The Two Vietnams. A Political and Military Analysis,* 2nd Rev. ed. (New York: Frederick A. Praeger, 1967) and John T. McAlister, Jr., *Vietnam. The Origins of Revolution* (New York: Alfred Knopf, 1969).

26. Nitze's own wealth was established during his career in banking and real estate development. His sister, Elizabeth, married Walter Paepcke (1896-1960), Chairman of the Container Corporation of America, who established the Aspen Institute in 1950.

inflated "threat analyses" profitable to the military-industrial complex. As one observer has said:

> But Wohlstetter, through his command of detail, particularly quantitative detail, and his ability to weave elaborate numerical models out of arcane pieces of information, had changed the language of strategy. Earlier thinking had been built on an assessment of the enemy's intentions and capabilities. It relied on secret intelligence and scholarly analysis of communist ideology, Russian nationalism, and "Kremlinology"—detailed expertise on Moscow's palace intrigues. Wohlstetter's methodology, on the other hand, relied largely on probabilistic reasoning and mathematical modeling that utilized systems analysis and game theory, signature methodologies developed at Rand. *The designs or intentions of the enemy were presumed, or presented as a future possibility.* This methodology exploited to the hilt the iron law of zero margin of error that was the asymptotic ideal for nuclear strategy. *Even a small probability of vulnerability, or a potential future vulnerability, could be presented as a virtual state of national emergency* [emphasis added].[27]

Following the lead of Paul Nitze and Albert Wohlstetter, neo-conservative defense intellectuals like Perle and Wolfowitz embraced the notorious "Team B" study in 1976, which deceptively promoted the false image of a dramatically increased Soviet military threat, thereby justifying massive U.S. defense spending increases profitable to the military-industrial complex.[28] This study was conducted under the auspices of the Central Intelligence Agency, while George H.W. Bush was Director of Central Intelligence. "Team B" was brought in specifically to challenge the balanced professional assessments of career intelligence community analysts, and its findings were used to help justify the unnecessary later Reagan defense build-up.[29] Indeed, according to a former U.S. government official, Anne Hessing Cahn,

> For more than a third of a century, assertions of Soviet superiority created calls for the United States to "rearm." In the 1980s, the call was heeded so thoroughly that the United States embarked on a trillion-dollar defense buildup. As a result, the country neglected its schools, cities, roads and bridges, and health care system. From the world's greatest creditor nation, the United States became the world's greatest debtor—in order to pay for arms to counter the threat of a nation that was collapsing.[30]

It is not surprising that the George W. Bush Administration utilized Wohlstetter and Nitze's techniques, and protégés, to create hyperinflated threat assessments concerning Iraq to justify the preventive war. We can also see the same pattern of lies and deception today with respect to the so-called "Syria Threat," "Iran Threat," "Islamic Threat," and "New China Threat"—all purposefully hyperinflated so as to manipulate public opinion and the Congress, to increase military spending to unnecessary levels, and to smooth the path to war.

Imperialism and Constitutional Crisis: Vietnam

The militarization of U.S. foreign policy and the creation of the National Security State in the years after Korea culminated in the Vietnam debacle and in the Nixon Presidency and Watergate scandal. But today, a generation later, we are plunged into the same constitutional crisis, and a much graver strategic predicament, owing to the program of George W. Bush and his backers, such as George Shultz, to return to the Nixon project for a radical imperial Presidency and foreign policy.

President Johnson's unnecessary escalation of the Vietnam War in 1965 shattered American prestige worldwide, impaired our NATO alliance relations, left the American polity a shambles, and plunged the American economy into deep crisis for two decades. Johnson expanded the imperial Presidency legacy of Truman, thereby opening the door for Richard Nixon's revolutionary advance of the imperial Presidency. And we should not forget that the Johnson escalation was based upon the lie of so-called "Gulf of Tonkin incidents" which, in fact, never took place.[31]

Who played a role in the Administration during the Nixon years supporting the imperial Presidency project?

One key player was University of Chicago professor and business school dean, George P. Shultz. He started as Secretary of Labor (1969-70) and then headed the powerful Office of Management and Budget before becoming Secretary of the Treasury (1972-74). Shultz would become Secretary of State (1982-89) in the Reagan years. Shultz, as the co-chairman of the George W. Bush campaign, created the so-called Vulcan Group of advisors for candidate Bush, coordinated by his

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27. Khuram Hussein, "Neocons: The Men Behind the Curtain," *Bulletin of Atomic Scientists,* November-December 2003, online at www.thebulletin.org/article.php?art_ofn=nd03husain.

28. For background, see Anne Hessing Cahn, "The Trillion Dollar Experiment," *Bulletin of Atomic Scientists,* April 1993, online at www.thebulletin.org/article.php?art_ofn=apr93cahn.

29. For an important analysis of the Bush family which references ties to the military-industrial complex and the Harriman interests, see Kevin Phillips, *American Dynasty. Aristocracy, Fortune, and the Politics of Deceit in the House of Bush* (New York: Viking, 2004).

30. Cahn, *op. cit.*

31. For information, including recently declassified information, on the Gulf of Tonkin deception, see The National Security Archive website at www.gwu.edu/~nsarchiv/. Compare the Gulf of Tonkin deception with the Bush deceptions on WMD and Iraq.

National Archives

Secretary of State Henry Kissinger, President Nixon, and Maj. Gen. Alexander Haig, discussing the Vietnam War in 1972. Nixon was the first President to claim the right to nullify the Constitution and the law. "It was this theory that led straight to Watergate," wrote historian Arthur Schlesinger.

protégé Condi Rice and headed by none other than Paul Wolfowitz.

President Nixon also called on Daniel Patrick Moynihan, a Harriman Democrat, to be an advisor in the White House. This connection is significant, as Harvard professor Moynihan was a leading intellectual within the "neo-conservative" perspective and allied to Irving Kristol and Norman Podhoretz. Indeed, leading neo-conservative intellectuals, such as Irving Kristol, flocked to Nixon's support in 1972.

And when Nixon was replaced by Gerald Ford as President, whom do we find brought into the Administration but Donald Rumsfeld and Richard Cheney, certainly familiar names today.

At the core of Nixon's strategy for advancing the imperial Presidency was the use of the concept of "emergency" and, hence, "emergency powers." As Professor Schlesinger said,

> . . . the theory of the Presidency he [Nixon] embodied and propagated meant that the President of the United States, on his own personal and secret finding of emergency, had the right to nullify the Constitution and the law. No President ever made such a claim before. . . . his private obsessions pushed him toward the view that the Presidency could set itself, at will, above the Constitution. It was this theory that led straight to Watergate.[32]

32. Schlesinger, *op. cit.,* p.266.

This doctrine is, of course, similar to the doctrine once espoused by Carl Schmitt, the Nazi jurist, although Professor Schlesinger refrains from pointing this out in a specific manner.

So how did Nixon's revolutionary project operate? Professor Schlesinger ably described its essence:

> The Nixon revolution thus aimed at reducing the power of Congress at every point along the line and moving toward rule by presidential decree. To perfect his design he had to control the use of information by Congress and the flow of information to Congress. To do this his administration mounted an unprecedented attack on legislative privilege and made unprecedented claims of executive privilege.[33]

The Imperial Presidency: Richard Nixon and George W. Bush

Does this sound familiar today?

The imperial faction's five-decade-old technique of deceiving the American public and Congress about external threats, as developed by Paul Nitze in 1950 and promoted through hardline and neo-conservative defense intellectual circles ever since, was used by the Bush White House to deceive the public and Congress into the Iraq War.[34] Indeed, Nitze's very protégés, Perle and Wolfowitz, played major roles, as I noted earlier.

Vice President Cheney often states the view that the powers of the U.S. President were undermined by the Congressional action taken in the wake of the Watergate scandal. Cheney's view takes on special meaning if we consider the sweep of post World War II U.S. history and the half-century-old project to create an imperial Presidency to implement an imperial foreign policy. Today the imperial Presidency is justified by the "unitary Executive" theory espoused by Bush supporters and the extremist Federalist Society, a national lawyers' organization.

By looking back and examining the practices and methods of the Nixon White House, we can see the direct roots of

33. *Ibid,* p. 246.

34. For background on the Iraq War, see John K. Cooley, *An Alliance Against Babylon. The U.S., Israel, and Iraq* (London Pluto Press, 2005). On the earlier Gulf War, see Majid Khadduri and Edmund Ghareeb, *War in the Gulf 1990-1991. The Iraq-Kuwait Conflict and Its Implications* (New York: Oxford University Press, 1997).

the practices and methods adopted in the Bush White House through players such as Dick Cheney, Donald Rumsfeld, and George Shultz, who have created the current imperial foreign policy and Presidency.[35]

Professor Schlesinger's comments on U.S. interventionism a generation ago have an eerie familiarity:

> The weight of messianic globalism was indeed proving too much for the American Constitution. . . . In fact, the policy of indiscriminate global intervention, far from strengthening American security, seemed rather to weaken it by involving the United States in remote, costly and mysterious wars, fought in ways that shamed the nation before the world and, even when thus fought, demonstrated only the inability of the most powerful nation on earth to subdue bands of guerrillas in black pajamas. When the grandiose policy did not promote national security and could not succeed in its own terms, would it not be better to pursue policies that did not deform and disable the Constitution?[36]

Professor Schlesinger in this passage well summarizes precisely what President Eisenhower had hoped to avoid, and warned against.

If we turn to today's world, and view Bush foreign policy in historical context, we can perceive clearly the methods of the imperial faction operating on U.S. foreign policy and global strategy. Iraq is a case in point, but we also must consider the potential for the United States expanding the war in the region to include Syria, and possibly Iran. This could be with or without direct, and overt, Israeli support.

Just as in the Vietnam era, our Congress—out of cowardice and deep corruption, moral and financial—has not been willing yet to effectively resist a reckless and unnecessary imperial policy. Nor has Congress been willing to halt the systematic imposition of a police state and erosion of civil liberties.[37]

Just as in the Vietnam era, the controlled and concentrated press in the United States, by and large, goes along with the official imperial policy line. Self-censoring "journalists" and "editors" can rest easy and collect their weekly paychecks, while media owners use them to promote their own agendas involving power and profits. The universities are quiet today because, unlike the Vietnam era, there is currently no military draft, and because students feel intimidated by the growing national security state apparatus.

Whether reflected in the speeches and statements of President Bush or Secretary of State Condi Rice, or whether presented in official Administration documents such as the Pentagon's most recent *Quadrennial Defense Review* (QDR), current U.S. foreign policy and global strategic policy concepts are delusional and dangerous. A careful assessment of major policy statements and action of this Administration from 2001 to the present indicates fundamental continuity. The fundamental continuity is a dark vision of global "dominance" or hegemony enforced through military power involved in permanent warfare and permanent intervention.

The QDR, released this January, spells out the "enemy" as a vague and amorphous "international terrorism," or rather its ideology, and also the not-so-vague and amorphous People's Republic of China, consisting of 1.5 billion people on the rise. High-tech "Fourth Generation" global warfare capabilities are portrayed as the panacea.[38]

At the end of the bi-polar Cold War, back in 1992, Wolfowitz, as head of the Pentagon's Defense Planning Board, developed the concepts behind the *Defense Planning Guidance* for Secretary of Defense Dick Cheney.[39] The underlying fundamental concept was global dominance, a strategy in which the United States aims to enforce a "unipolar" world order by preventing any regional or global rivals, such as China, to emerge.

If this sounds familiar, it should. This is precisely the underlying strategic concept of the present Bush Administration, as stated clearly in publicly available official documents such as the 2002 White House National Security Strategy of the United States and the QDR.[40]

Behind the dominance strategy, one objective of the Bush White House is to control the global energy market.[41] For this reason, the White House is greatly concerned that Iran can become a key supplier to China and India, as well as become a larger force in the international energy markets. Would an attack on Iran using the excuse of a currently non-existent nuclear threat in fact involve intentional significant destruction of the Iranian hydrocarbon infrastructure?

Looking for historical parallels for the imperialism of the Bush White House United States, one might suggest the Roman Empire or the British Empire, but perhaps we should

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35. See John W. Dean, *Worse Than Watergate. The Secret Presidency of George W. Bush* (New York: Little Brown, 2004).

36. Schlesinger, p. 299.

37. See Matthew Rothschild, "Senators Roll Over on Patriot Act," *The Progressive,* Feb. 18, 2006, online at http://progressive.org/mag_wx021806. See also, Paul Craig Roberts, "My Epiphany: From Reaganaut to Antiwar Radical," VDARE, Feb. 7, 2006, online at www.vdare.com/roberts/060207_epiphany.htm.

38. For a critique of so-called "Fourth Generation War," see Antulio J. Echevarria II, *Fourth-Generation War and Other Myths* (Carlisle, Pa.: U.S. Army War College, 2005). See also, John P. White, *Transformation for What?* (Carlisle, Pa.: U.S. Army War College, 2005).

39. Hussein, *op. cit.;* Patrick E. Tyler, "U.S. Strategy Plan Calls for Insuring No Rivals Develop," *New York Times,* March 8, 1992; Patrick E. Tyler, "Lone Superpower Plan: Ammunition for Critics," *New York Times,* March 10, 1992; "America Only," *New York Times* editorial, March 10, 1992.

40. Online at www.whitehouse.gov/nsc/nss.html.

41. For background, see William Engdahl, *A Century of War. Anglo-American Oil Politics and the New World Order,* rev. ed. (London: Pluto Press, 2004).

also consider Napoleonic France or the reactionary "Holy Alliance," which adopted many Napoleonic practices and institutions. The messianic delusions of a Napoleon, or an Alexander I, and the cynical manipulations of a Metternich, are not so far removed from those of the current occupants of the White House with their global interventionist obsessions.[42]

Conclusion

In conclusion, as you all know, the United States will hold its mid-term elections for one-third of the U.S. Senate and all of the U.S. House of Representatives this coming November.

I would suggest keeping a close eye on developments in each of the main political parties. Both major parties have their left, center, and right factions, and within these factions we can find supporters and opponents of the current imperial foreign policy. Bear in mind that three-quarters of the Senate and three-quarters of the House of Representatives voted in favor of the Iraq War.

For a brief period, the Watergate scandal halted—owing to Congressional action, aroused public opinion, and Nixon's resignation—the profound constitutional crisis engendered by Nixon's drive toward an imperial Presidency. But, as the last three decades have shown, this was only a temporary pause in the overall process of the erection of an imperial Presidency and a garrison state committed to permanent imperial war.

We can ask today, and we must ask, "What will halt the Bush White House's reckless folly and endangerment of the Republic?" The consequences of the Iraq War are only slowly dawning on the American public, Congress is deeply corrupt, and the press is owned in large measure by the imperial faction. Americans evidently learned nothing from the "limited war" in Vietnam and so repeat the mistake of unnecessary intervention in the Middle East today.

We can hope that the Democratic Party will come to its senses and unify sufficiently to oppose the Bush imperial Presidency and imperial foreign policy.[43] We can also hope that conservative, moderate, and liberal Republican Party factions, which oppose imperialism and an imperial Presidency, begin to place constraints on the extremists in their party and on the extremists in the White House such as Vice President Cheney and his entourage. For Republicans, a return to the fundamental decency and commonsense of President Eisenhower would put the party on the right path, the path set by our martyred President Abraham Lincoln.

42. For comparison, see Frederick B. Artz, *Reaction and Revolution 1814-1832* (New York: Harper and Brothers, 1934). A disturbing psychological profile of George W. Bush is presented in Justin A. Frank, MD, *Bush on the Couch. Inside the Mind of the President* (New York: Regan Books, 2004).

43. See Jimmy Carter, *Our Endangered Values* (New York: Simon and Shuster, 2005), and Sen. Robert C. Byrd, *Losing America. Confronting a Reckless and Arrogant Presidency* (New York: W.W. Norton, 2004).

Michele Steinberg

Organizing in the U.S.A. To Get Cheney Out

Michele Steinberg is a Counterintelligence Editor of EIR. *She addressed the Berlin seminar on March 2.*

What I want to do, is give people a little bit of an impression of the state of the fight, that Mr. LaRouche has started. The fight that Mr. LaRouche has started, is in a very, very, very intense phase. And I'm happy that we have a few journalists here, throughout the day, because there are many things that have happened in the United States Congress and Senate. Right now, for example, there is a book of evidence of the *impeachment of Bush and Cheney,* starting with Vice President Cheney, that has been produced—a 150-page outline—produced by Congressman John Conyers, and has now been signed onto by about 30 to 50 Congressmen. And they'll be holding hearings with *Harper's Magazine* in New York—I think tomorrow they begin—and they will go on for an extended period of time.

There is, of course, the investigation of Mr. Patrick Fitzgerald, that nailed Cheney's chief of staff Lewis Libby. And many, many people in Washington told Mr. LaRouche this was never going to happen, that this man was too powerful, the neo-cons were too powerful, and so forth. But what is actually happening, is that Cheney himself—you may have heard about some of this in the media—250 pages of e-mails indicating that the Vice President was deeply involved in targetting a former ambassador and a covert agent of the CIA, whose job it is to stop weapons of mass destruction, and set her and her colleagues up for assassination, by putting a big target on her. And, at the same time, he's the Vice President of Secrecy.

A Change Is Coming in the U.S.A.

Now, in the last 60 to 70 days, we've been doing a lot of organizing. And the Democratic Party is *not*—if it weren't for Mr. LaRouche and the LaRouche movement, especially the LaRouche Youth Movement in the United States, I don't think we would have a chance to get beyond this crisis, and stop this war, and see these culprits and bandits go to prison. And the way we're doing that, is an intense organizing process, of reaching into the cities and states of the United States, the towns where literally millions of American workers are losing their jobs.

I saw the *Bildzeitung,* the first thing when I arrived, yesterday or the day before, asking Mrs. Bundeskanzler [Chancellor Angela Merkel], shall we have you join the ranks of the unem-

ployed? What are you going to do in Germany with 5 million unemployed?

Well, this is very similar to the phenomenon going on in the United States. Because it's a *global* financial collapse! There are 100,000 people, men and women, who are highly skilled—machinists, and auto workers, and automotive workers—who can build nuclear power plants and maglev trains, and so forth—*who are being fired!* In four states—Ohio, Michigan, Illinois, and Indiana—100,000 families being put out of work in those four states! So, underneath the surface, if we could connect that organizing situation to the leadership that is needed, there's no question that we're going to have a change in the United States.

It's Time for Cheney To Go!

Now, what Mr. LaRouche said the other day, is, "Don't kid yourself," as soon as we heard the good news about the Russian-Iranian progress. He said: Don't kid yourself, the British and Cheney are going to do everything possible on the Iran side, on the U.S. side, on the European side, to make sure this agreement, which could prevent the war and prevent the bombing, does not take place. Because Dick Cheney, with 18% popular support, approval—what does that mean? That means—I'm a little jet-lagged—I think it means 82% against; 82% of the population hates Dick Cheney! So we should be able to *do* something with that. And earlier today when [a seminar participant] mentioned the good news that he had heard that Cheney is being pushed and urged to resign, including, as our colleague from the press mentioned, he shot somebody! Now, there's a brown copy of the *EIR* [Feb. 23, 2006], which has a special feature on that, which I hope everyone gets, because you will see article after article by commentators saying, "Mr. Vice President, *step down! The country has had enough of you.*"

And just to finish up, to give you an idea of what Cliff [Kiracofe] mentioned, the American people are *beginning* to see this. I think they see it more, in fact—they are ahead of the political leadership. So, we have to get the leaders to do the right thing. There was a town meeting—and that's when a member of the Congress opens up a hall to hold a meeting with his constituents—and it was in Northern Virginia, just outside of Washington, and the Congressman was a Democrat. And he invited [Rep.] John Murtha, a 39-year veteran of the United States Marines, who had the first person to call for the *full, immediate* withdrawal from Iraq. And the way Murtha and some of our other retired military colleagues put it, "The United States either gets out of Iraq *now,* or it *fights* its way out, in a very short time." And I think we've crossed that moment, right now. Colonel Hübschen was in the United States earlier; he warned about this also. We're living it right now.

But at that town meeting, over 1,000 people showed up. And they had a little hall for a few hundred people; they had to turn away 600 people! But, they didn't want to talk about the war: One after another, after another, kept saying, "What about impeachment? What about impeachment? What about impeachment?" A similar thing happened up in Boston, Mass., in December, on the same issue. Congressman [Edward] Markey, who is also a Democrat, who voted for the war in 2002, because of 9/11, because of the lies that Cliff mentioned, this pattern of lies; it's the same crowd for three generations. We documented that, in *Children of Satan* and in the book called *The Neo-Con Conspiracy* that Helga Zepp-LaRouche mentioned. The same people, going back to Paul Nitze.

EIRNS

Michele Steinberg gives a class to the LaRouche Youth Movement in Detroit.

So, Markey said, "I was lied to. And we have to develop a policy to get out of Iraq." And one after another [from the audience] said, "Forget Iraq, now! Of course we're going to get out of Iraq. What're you doing about impeachment?"

We Can Create a Groundswell

So, this is what Lyndon LaRouche started in 2002, *the moment he saw Dick Cheney's pre-emptive war doctrine.* Lyn immediately put out a statement, and a policy paper, and we began to work on the book of evidence, which is now, really—what LaRouche did and *EIR* has done is the basis for every single serious Congressional investigation that has taken place since then.

So, I can tell you that before I came, I did some meetings with people on Capitol Hill in the Congress; they are eagerly awaiting the news of this conference, and there were a couple of people who sent greetings, in addition to what Dr. Tennenbaum said this morning, respecting Dr. [Hans] von Sponeck. Within the military-intelligence establishment, there are people who are coming forward with the goods, with the evidence, of what has gone on behind the scenes, on the torture policy, on the lying about WMD, and we can create a groundswell.

But, it does require the men and women who have the quality of command, as commanders in a battlefield, who will *not* miss the opportunity to go in for the political kill, and that's where we are.

In Israeli Elections, It's Shultz/Cheney vs. Sanity

by Dean Andromidas

After the victory of Hamas in the recent Palestinian elections, George Shultz and his crony, Vice President Dick Cheney, are taking no chances with the upcoming Israeli elections. They are doing what they can to ensure that a government comes to power over which they can exercise control, and when necessary, use it to strike against Iran, or otherwise start a new Middle East war. Such a government would be a coalition between Ariel Sharon's Kadima Party, now led by the former's top crony, Ehud Olmert, and the Likud headed by Benjamin "Bibi" Netanyahu, whose number one political patron is George Shultz. (See *EIR,* Feb. 23, 2006). The key to this operation is to ensure that the Labor Party, led by Amir Peretz, doesn't come anywhere close to the government table, either as Prime Minister or as a coalition partner.

Making a rare public statement on the Middle East, George Shultz told *Washington Post* columnist Jim Hoagland (March 5, "What's Achievable in the Mideast") that any effort for a Middle East peace should be dropped, and unilateral steps should be made to provide Israel's security, the exact policy that had been pushed by Sharon and his successor Ehud Olmert.

Discussing Shultz's policy, Hoagland wrote, "As former Secretary of State George Shultz, who thinks deeply about the Mideast, told me recently, the failure of the Oslo Accords and the Camp David talks has to be acknowledged and corrected." Shultz told Hoagland, "The only thing the Palestinians have, at this point, to offer the Israelis is a willingness to participate in constructing a secure environment." Hoagland quoted Shultz on his endorsement of Sharon's Berlin Wall of the Middle East: "But if the Palestinians won't commit to that, and the Israelis can produce that outcome themselves through security barriers and other means, negotiations are pointless," Shultz said. "There are times when it is best not to try to get people to agree on a finality."

"Instead of getting bogged down in tactical disputes over whether to have diplomatic contacts with Hamas as a prelude to resuming peace negotiations, the Bush team and its allies should commit themselves to creating the conditions for the controlled separation of Israelis and Palestinians through effective and equitable security barriers by Jan. 1, 2009," Hoagland concludes. "Separation has replaced negotiation as the only viable approach to coexistence—at least for the time left to Bush—for both Israelis and Palestinians."

This is the old "no peace, no war" policy which led to the Arab-Israeli wars of 1956, 1967 and 1973.

Will the Next War Be an Israeli-Iranian war?

Speaking March 7 at the annual conference of the American Israel Public Affairs Committee (AIPAC) in Washington, Vice President Cheney threatened to impose "meaningful consequences" on Iran if it dared to defy the Bush Administration dictate over its nuclear energy program.

According to an *EIR* intelligence source, "The fact that Dick Cheney and [other] administration officials made all those provocative speeches at the AIPAC conference just connects the two issues, an attack on Iran while Israel's own nuclear weapons are in effect protected by the U.S." The source agreed that Shultz and Cheney want a military strike against Iran. He indicated growing concern in official circles in Britain that Israel will attack Iran.

At a March 9 press conference in Berlin, Israeli Defense Minister Shaul Mofaz, in answer to a question on whether Israel had a contingency plan in case the international attempts to stop the Iranian nuclear program fail, replied, "The

state of Israel has many drawers, containing all it needs in order to defend our citizens. . . . We do not intend to turn a blind eye to any threat that we may face, and we will do everything so that the threat is not realized." Everyone knows that in one of those "drawers" are as many as 200 nuclear weapons. Mofaz, number four or five on the Kadima electoral list, will most likely be Defense Minister again, if his party wins the elections.

Amir Peretz: I Will Shape Reality

Since Labor Party Chairman Amir Peretz is committed to a policy of statesmanship, not brinksmanship, as he made clear in an interview, he is opposed to the confrontation scenarios of Shultz and Cheney, and they would not like to see him become prime minister. Widely-known Israeli journalist Ari Shavit, in the March 3 *Ha'aretz,* describes Peretz as, "surprising in his honesty and directness. His faith in his personal gospel is so strong that it doesn't even occur to him to fudge or obscure it. . . . He says his truth without any obfuscation."

When asked, "What do you represent?" he answered, "Amir Peretz is the new Israel," and went on to discuss how he, being of Moroccan, not European origin, overcame the problem of the socio-economic divide in Israel, that has been largely along ethnic lines. In this situation, he said Israel has two options: "either to sink into the mire of bitterness or transform the difficulty into an empowering and tempering instrument that adds to your strength. I always chose the second option."

To the question whether he was "built to make a decision" if necessary to bomb Iran, Peretz answered, "I think I'm more capable than any of the other candidates of making a decision. My advantage over the others is that the moment the bombing of Iran appears as a possible mode of action, from that moment I must not sleep day or night in order to try and prevent that. The wisdom is not to reach a point where you say there is no choice, all options have been exhausted. The question is what to do before that happens. And I think this is my advantage over the others. I'm trying to forge a policy that will shape reality and I'm not willing to have reality dictate policy to me."

Cheneyacs Want 'Rambos'

Peretz attacked the "Rambo" pose which the Cheneyacs expect Israeli prime ministers to take on security. "I'm not impressed by this Rambo pose. I find it ludicrous. And it hurts Israel, too."

On a peace agreement, he said he would do everything possible to prevent starving the Palestinians. Israel will have to withdraw to the 1967 borders, withdraw at least 60,000 settlers, and exchange land and money for certain settlement blocks.

Peretz then attacked Bibi's economic policy, which is so dear to Shultz, by saying that both Menachem Begin and Yitzhak Rabin addressed the divide between rich and poor, and in this respect were the first social democrats. "Then came the bad years of Bibi, Sharon and Olmert. In those years the pie was resliced. . . . They created a situation in which out of 2.48 million salaried workers, one million make less then NIS 3,300 a month (about $750). And there are a million workers without a pension. . . ."

When asked about Kadima, he said it represents "18 money-eyed families. I think it is illogical for 18 families to hold most of Israel's capital. It is untenable for there to be wealth on such a mammoth scale alongside such stark social distress. It is wealth on a scale kings and emperors never knew. It is perfectly clear that the families with this unimaginable wealth are connected to those in Kadima. . . . It is clear that when a Kadima government would make decisions, it would take into account the interests of the 18 families and this would be at the expense of the general public." As for Ehud Olmert, "it's clear that those who control capital are his reference group. . . . He is very plugged into groups of capital holders inside and abroad. Clearly that influences his decisions. . . ."

As for his own economic policy, Peretz said he would immediately raise the minimum wage to $1,000 a month, reduce the power of the infamous manpower companies, and end privatization in the area of infrastructure, security, and social services. He would implement a law calling for free education from the first year through four years of university education. As for unemployment, he would end the notorious Wisconsin plan and turn the "whole employment service into a huge educational center to which universities and colleges will contribute." This would be part of his plan to "foment a revolution in the sphere of the culture of idleness, not unemployment," where the unemployed will have the opportunity to study ("don't care what they study") to "restore self-respect and self-confidence to the unemployed, and give them a framework. That will enhance the human capital in Israel."

Kadima: The Party of the Living Dead

The Kadima campaign has combined the creation of an atmosphere of fear and the macabre. The fear has been created by deploying the army to conduct targeted assassinations, whose consequences inevitably lead to revenge suicide bombings in Israel. The Hamas election victory in the Palestinian National Authority has been used to justify the continuation of the brutal occupation, and the cutting of all fund transfers. Furthermore Kadima has tried to link Hamas with an alleged "axis of terrorism" stretching from the West Bank, through Syria and Iraq into Iran.

Defense Minister Mofaz threatened to assassinate the Hamas Prime Minister-designate Ismail Haniyeh, if Hamas carries out terror attacks. Mofaz told Israel's army radio, "If Hamas, as a terror organization, faces us with this challenge—the state of Israel confronting a terrorist organization—no one there is immune, not just Ismail Haniyeh, no one there is immune,"

Nonetheless, Kadima's biggest political asset continues to be its founder, Ariel Sharon, who has been lying comatose in a Jerusalem hospital for the last two months. The Kadima's election TV ads are an ode to Sharon as one of the "founding fathers" of the nation who bears the wounds of its wars, and how Ehud Olmert is his anointed successor. In keeping with the macabre, an old recording of Sharon's voice attacking Netanyahu has been resurrected for the ads.

But Olmert is not a new Sharon. His military career never went beyond his three-year national service, and the only battles he fought were in court for his rich corporate clients. In some of those court battles, he served as a defendant facing corruption charges. Nonetheless, with open support from the three leading dailies, including the moderate *Ha'aretz,* the polls give Kadima enough votes to form a government.

Netanyahu: With Help From Friends and Enemies

In addition to behind-the-scenes help from his old patron, George Shultz, Netanyahu has benefited from an atmosphere of fear. The same polls indicate that his Likud party is gaining on Kadima. On March 8, Netanyahu got a boost from an unexpected source, Palestinian President Abu Mazen, who in a surprise statement gave his endorsement of Olmert.

"We'll respect the will of the Israeli people. I hope Olmert wins." Abu Mazen said in an interview to the Italian daily *Corriere della Sera.* "I know him well. I believe that with him we could work in a productive way." He also called Shimon Peres, now in Kadima, an "old friend."

Intelligence sources attribute this unprecedented action to pressure from the United States, especially the threat to cut all $500 million in U.S. aid because the Palestinian people exercised their democratic right, giving Hamas a majority in the January elections.

Abu Mazen's statement could draw pro-peace elements away from the Labor Party towards Kadima. Nonetheless, it was an unexpected gift to Netanyahu, since it gave "proof" to Bibi's rhetoric against Olmert as a sell-out.

Bibi said he was not surprised by Abu Mazen's endorsement of Olmert, because contrary to Olmert, Bibi said, "I am looking after Israeli interests."

These maneuvers are aimed at drawing more left-of-center pro-peace votes away from the Labor Party to the Kadima, under the illusion that it will finally lead to a withdrawal from the territories. At the same time it will bring more right-of-center votes back into the Likud, bolstering Netanyahu and the possibility for a Likud-Kadima government.

Many observers are saying that the opinion polls are misleading, and are unable to gauge the mood of the poor development towns where the Labor Party is reportedly gaining support. Nonetheless, as long as Cheney and Shultz are anywhere near the White House, the hope for a peaceful Middle East is grim, no matter who wins the Israeli elections.

Fact vs. Fiction in The 'Iran Crisis'

by Muriel Mirak-Weissbach

If the U.S. and U.K. neo-cons lied to get into the Iraq War, why shouldn't they lie to prepare a military strike against Iran?

On March 8, British and American war mongers went into overdrive in their rush to dupe public opinion that the issue of Iran's nuclear program is swiftly on its way to being declared a *casus belli* by the United Nations Security Council. Nothing could be farther from the truth. Consider the facts, and then the lies.

On March 7, the issue of Iran's nuclear program was on the agenda of the International Atomic Energy Agency Board of Governors meeting in Vienna. IAEA Director General Mohammad ElBaradei presented his report, as had been requested by the body's meeting on Feb. 4. The report reviewed Iran's cooperation with the IAEA. It reported on the findings of IAEA delegations which visited Iran in January and February, regarding outstanding questions about traces of uranium contamination that had been found; Iran's acquisition of centrifuge technology; plutonium experiments; and other implementation issues. The report documented Iran's cooperation, at the same time noting that certain demands made by the IAEA, such as for personal interviews with scientists, or for copies of documents (which were shown to the IAEA), had not been granted. Iran's decision to resume uranium enrichment-related activities, under IAEA surveillance, was reported.

In its "Current Overall Assessment," the report noted that "Iran has made substantial efforts over the past two decades to master an independent nuclear fuel cycle, and, to that end, has conducted experiments to acquire the know-how for almost every aspect of the fuel cycle."

In its most important statement, the report said: "All the declared nuclear material in Iran has been accounted for. Although the Agency has not seen any diversion of nuclear material to nuclear weapons or other nuclear explosive devices, the Agency is not at this point in time in a position to conclude that there are no undeclared nuclear materials or activities in Iran."

In remarks to the press following the Vienna meeting, ElBaradei stressed the need for Iran to "be transparent working with the Agency," adding, "Nobody will be happier than I when we are able to conclude that all the outstanding issues . . . are clarified. . . Everyone is looking for a political settlement."

He went on to say, "What we need at this stage is cool-headed approaches. We need people to lower the rhetoric. . . ." He said the UNSC would "lend its weight to the IAEA's efforts so as to make sure Iran will work as closely as posisble with us."

Significantly, he specified continuing work with Iran: "The IAEA will continue to do inspections in Iran. . . . We will continue to do the verification, while the Security Council debates on the global picture." And, he explicitly endorsed the country's right to nuclear technology: "We need a settlement that assures Iran its peaceful right to nuclear energy; but at the same time assures the international community that Iran's program is exclusively for peaceful purposes." ElBaradei concluded, "I am still optimistic. I think sooner or later the parties will decide there are no other options than negotiations."

The report was then forwarded, as per IAEA procedures, to the UNSC for its consideration. As of this writing, there are reports that the UNSC will take up the issue.

The Lies and Spin

So much for the facts. Now, to the lies and spin. The forwarding of ElBaradei's report to the UNSC was immediately trumpetted by the press as a "referral" of the Iran dossier to the UNSC, implying condemnation by the IAEA, and relevant declarations and actions, which have, in fact, not taken place.

For example, U.S. delegate to the IAEA, Gregory Schulte, a rabid neo-con, said: "The time has come now for the Security Council to act." He went through a litany of complaints against Iran, mainly focussed on its uranium enrichment activities, saying this contributed to "mounting international concerns" about the country's intentions. "Iran has still not come clean," he ranted, and proceeded to lie: "IAEA inspectors have no doubt this information [regarding alleged plans for weapons production] was expressly intended for the fabrication of nuclear weapons components—" a statement in blatant contradiction to ElBaradei's report. Schulte, in his cheerful disregard for facts, went on to charge that Iran had 85 tons of uranium hexaflouride (UF6) gas, sufficient to make ten atom bombs.

Undersecretary of State Nicholas Burns, who has become a point man in the witchhunt against Iran, was as vocal. "Iran has not met the conditions at the IAEA," he lied. "We will therefore start a new phase of diplomacy—action by the UN Security Council starting next week."

Burns went on to issue threats. If Iran doesn't respond to words, we believe the world community should entertain the possibility of sanctions," he told a Congressional committee. "It's going to be incumbent upon our allies around the world to show that they are willing to act." Burns testified that Iran "directly threatens vital American interests," and announced that in the UNSC "we plan a concerted approach . . . that gradually escalates pressure on Iran"—a statement nowhere backed up by facts. He went on to predict that the UNSC, the "right place to intensify the international debate on Iran's nuclear ambitions," would soon begin "very active debate" on the issue.

Vice President Dick Cheney issued threats to Iran even before the IAEA discussion had concluded. Speaking to a friendly audience at the American Israel Public Affairs Committee (AIPAC) in Washington, Cheney snarled: "The Iranian regime needs to know that if it stays on its present course, the international community is prepared to impose meaningful consequences." He reiterated that the United States was keeping "all options on the table," and reiterated that Washington would "not allow Iran to have a nuclear weapons."

Contrary to such outright lying and bravado, the Iran issue is *not* an explosive crisis at the UNSC. Russian Foreign Minister Sergei Lavrov, who has issued foreign policy statements of fundamental importance in the current juncture (see *Feature,* p.18), deflated the neo-cons' belligerent rhetoric, by simply stating what the facts of the matter are.

Lavrov, who has had years of experience as Russian ambassador to the UN, artfully identified the sophistry being used by the neo-cons. "This play with the terms—notify or refer—has only one goal: to claim that the IAEA's Board of Governors has opened its hands in a helpless gesture, given up, and told the UN Securtiy Council, 'You know we admit our inability to influence Iran any further. You are serious guys; your charter allows for many things, so, please, take the matter into your own hands.' " This, Lavrov went on, "is a flawed policy, which will not solve the problem. We do not remember who was right and who was wrong on Iraq," he quipped, "although the answer is obvious."

Lavrov made perfectly clear that the Russian stance this time around would be tough. "It looks so *déjà vu,* you know," he said March 8. "I have been answering these questions [regarding WMD, etc.] regarding Iraq; and I don't believe we should engage in something which might become a self-fulfilling prophecy." Referring to Cheney's threatening statements, Lavrov stated: "We are convinced there is no military solution to this crisis." As for sanctions: "I don't think sanctions as a means to solve a crisis have ever achieved a goal in recent history."

As Lavrov's stance has shown, the world has changed since the invasion of Iraq in 2003.

Lyndon LaRouche emphasized, during discussions on Iran in Germany, there is a Eurasian bloc which has come into being, with Russia, China and others, which is moving to oppose any escalation against Iran, and is moving politically to defuse other crisis fronts, for example, regarding the victory of Hamas in Palestine. Russia's policy is that which is outlined in the various articles and speeches by Lavrov, coincident with his early-March visit to the United States. Negotiations between Russia and Iran will continue, with the implicit participation of China.

Book Review

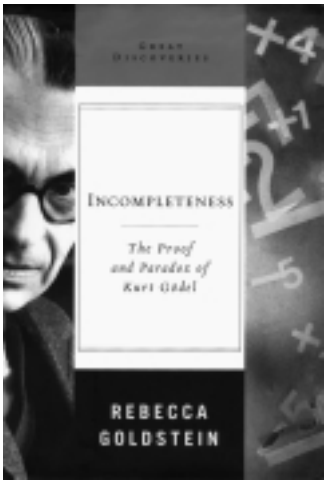
Gödel and Einstein: The War Against Empiricism

by Mike Billington

Incompleteness: The Proof and Paradox of Kurt Gödel
by Rebecca Goldstein
New York: W.W. Norton Co., 2006
224 pages, paperbound, $13.95; hardcover, $22.95

Rebecca Goldstein's remarkable book on the life and work of Kurt Gödel is a very useful contribution to a very old debate, and is even a call to arms in some respects, for the world to re-engage in that debate. Drawing on her experiences as a graduate student in the philosophy of science and mathematics at Princeton University in the 1970s, while Gödel was still at Princeton's Institute for Advanced Studies, and extensive personal contact with several of Gödel's associates more recently, the book presents Gödel, together with his closest friend, Albert Einstein, engaged in a life-long battle against the increasingly predominant ideology in American and European academia and the scientific community: that of empiricism, positivism, and related reductionist notions.

Gödel and Einstein defended and advanced the Platonic scientific tradition, insisting on a commitment to the search for truth and universal principles, rejecting the degenerate existential notions of randomness peddled by the positivists. This battle engaged the creative passions of both Einstein and Gödel, but it is a battle which has been nearly lost today. Lyndon LaRouche and those associated with him long ago joined that fight, placing it at the forefront of the political campaign to pull the nation and the world away from its current path toward economic collapse and global war.[1]



While Einstein's concept of relativity is well known (although often, even usually, misunderstood; see forthcoming article by Bruce Director in *Fidelio* magazine, Winter 2005/Spring 2006), Gödel's work is less widely known, and a brief description of the character of his Incompleteness Theorem will be necessary for many readers. Gödel's theorem, released in 1931, intersected an intellectual climate in Europe increasingly dominated by the logical positivism of Ludwig Wittgenstein, Karl Popper, and the so-called Vienna Circle (in which Gödel himself had participated, while rejecting its conclusions, in the 1930s), and by Wittgenstein's leading supporter, Bertrand Russell.

Russell and his collaborator Alfred North Whitehead were engaged in an effort to reduce all mathematical knowledge to a precise set of axioms, which they published as the *Principia Mathematica.* Russell and his positivist circle rejected as essentially meaningless any concept which could not be demonstrated to be true by purely mechanical means, based on nothing but sense perception—the "shadows on the wall" of Plato's famous cave. In other words, they rejected reason altogether, or simply defined reason to be

1. For example, LaRouche wrote in "Obtuse Angles in Post-Soviet Ideology: Russia's Dark Side of the Spoon" (*EIR,* Sept. 16, 2005): "The essential evil of empiricism and its modern positivist and 'religious-fundamentalist' offshoots, is expressed by the ignorant individual's belief in the absolute authority of sense-certainty. Thus, what every Texas barroom philosopher would kill to defend, his brutish, materialist's faith in sense-certainty, is actually . . . a way of defending his underlying deeply religious faith in the existence of unearthly powers ruling his universe from 'under the floorboards' of reality. The mechanisms of such ideological perversions work as follows. By insisting that he knows nothing except the evidence of sense-experience, he creates for himself the problem that such evidence, by itself, does not explain the way in which the universe actually works. Thus, he believes in the efficacy of something beyond comprehension by means of sense-certainty. He is susceptible of being induced to believe in a substitute for sense-certainty, called statistics. Thus, he views himself as a mere animal, and, worse, views his neighbor as like a mere dog, or an object of the hunt." On the web at www.larouchepub.com/lar/2005/3236dark_side_spoon.html

nothing more than a logical/mechanical process which could just as easily be performed by a computer as by a human mind.

Gödel's discovery of 1931 proved by mathematical means that the entire enterprise undertaken by the logical positivists in Vienna, and by Russell and Whitehead in London, was an exercise in futility. Gödel first developed a formal system which subsumed any mathematical system broad enough to include arithmetic. He then devised a means for generating a well-defined theorem within that system, which said *about itself* that it could not be proven within the system. By showing the necessary existence of such a self-reflexive theorem within any such system, he created a paradox, when looked at "from above," from the metamathematical perspective of the human mind: If a proof were to be found for that theorem, then the theorem (which says of itself that it cannot be proven) would thus be false. And yet, we recognize with our reason that the theorem is in fact true—i.e., that it cannot be proven, except by means that would render all mathematics inconsistent and meaningless. Therefore, unless we accept that the whole of mathematics is inconsistent (that a false statement can be proven to be true), we must conclude that no proof exists, and the system is thus "incomplete," in that it does not have the capacity to generate all the true theorems that exist within the system.

Thus, Russell's efforts to show that all mathematics can be reduced to a formal, axiomatic system were demolished. Had Russell, Wittgenstein, and their positivist friends simply retired at that point to nurse their ideological wounds, the world might have been spared many of the horrors which unfolded through the rest of the 20th Century. Unfortunately, the battle against the positivists had just begun.

Goldstein's narrative displays a delightful capacity to capture the cult-like adulation of Ludwig Wittgenstein by the positivists, both in Vienna and in London (a psychosis that spread across Western university studies generally in the 1960s). The Vienna Circle undertook a study of the only book published by Wittgenstein during his lifetime, *Tractatus Logico-Philosophicus,* an obscure philosophic argument organized as an extended Aristotelian syllogism, concluding: "Of what we cannot speak, we must remain silent." The Circle, in fact, read through the book twice, concluding that the meaning of the text was different than that intended by Wittgenstein! When Wittgenstein occasionally attended their meetings, Goldstein reports, "he often just turned himself to the wall and read aloud the poetry of Rabindranath Tigore." Circle member Rudolf Carnap wrote about Wittgenstein as if he were a religious guru: "The impression he made on us was as if insight came to him as through a divine inspiration, so that we could not help feeling that any sober rational comment or analysis of it would be a profanity."

Wittgenstein went to Cambridge to work with Bertrand Russell from 1911 to 1913, and again in 1929. The homosexual Russell adored him, writing: "I love him and feel he will solve the problems I am too old to solve," and later: "He was very inarticulate—but I feel in my bones that he must be right," describing him as "perhaps the most perfect example I have ever known of genius as traditionally conceived: passionate, profound, intense, and dominating." Russell wrote an adulatory introduction for the *Tractatus.*

Kurt Gödel (left) and Albert Einstein. The two friends waged a lifelong battle in defense of the Platonic scientific tradition, against the dominant ideology of empiricism and positivism.

Goldstein's Polemic

Goldstein, in her personal way, has set out to renew the battle against positivism. Her two-fold intention is clearly stated: to defend Gödel and Einstein against the popular dogma of today's degenerate intellectual climate, in which Einstein's Relativity Theory and Gödel's Incompleteness Theorem are regularly dragged into the service of precisely the positivist, mechanistic worldview that both dedicated their lives and their works to refute absolutely. Goldstein succeeds in this task most admirably, and in a manner both clear and compelling for any reader. Her second task, to present the character and the implications of Gödel's Incompleteness Theorem, is a more formidable challenge, which she achieves to a significant degree, but with certain fundamental lapses, which I will address below.

As to the common positivist slanders of Gödel's and Einstein's work today, Goldstein ridicules the frauds used to misrepresent the intentions of these two geniuses. In re-

gard to the popular myths peddled by Russell and others about Einstein's Theory of Relativity, she writes: "Measurements of properties like length are, according to special relativity, relative to a particular coordinate system or reference frame. But to reduce these technical terms—coordinate system, reference frame—to the idea of human points of view, is, well, nonsense."

As to Gödel: "Some thinkers have seen in Gödel's theorems high-grade grist for the post-modern mill, pulverizing the old absolutist ways of thinking about truth and certainty, objectivity and rationality. [These people claim that] the necessary incompleteness of even our formal systems of thought demonstrates that there is no non-shifting foundation on which any system rests. All truths—even those that had seemed so certain as to be immune to the very possibility of revision—are essentially manufactured. Indeed, the very notion of the objectively true is a socially constructed myth. Epistemology is nothing more than the sociology of power. So goes, more or less, the post-modern version of Gödel."

Goldstein quotes several of the most extreme cases of such stupidity (or lying). William Barrett, in his *Irrational Man: Studies in Existentialist Philosophy,* published in 1962, which has been forced down the throats of many unsuspecting undergraduates (including Goldstein), links the Platonist Gödel to those espousing the diametrically opposite view of the physical universe, Niels Bohr and Werner Heisenberg of the Copenhagen School, and in philosophic outlook, the fascist Martin Heidegger and his mentor Friedrich Nietzsche. Gödel's results, Barrett writes, showed that "even in his most precise science (mathematics)—in the province where his reason had seemed omnipotent—man cannot escape his essential finitude."

To the contrary, Goldstein writes: "Gödel's result, in effect, proclaims the robustness of the mathematical notion of infinity; it can't be drained of its vitality and turned into a ghostly Kantian-type idea hovering somewhere over, but without entering into, mathematics. The mathematician's intuitions of infinity—in particular, the infinite structure that is the natural numbers—can no more be reduced to finitary formal systems than they can be expunged from mathematics."

While she doesn't pursue it, Gödel's work provides substance not to the irrationalism of the positivists, but to the discoveries of Carl Friedrich Gauss and Bernard Riemann, the 19th-Century Platonist mentors of Einstein, who showed that the physical universe is indeed comprehensible to reason, but cannot be described by either the linear notions of geometry, or the stale mathematics of formal axiomatic systems. Gauss's development of the complex domain, which captures the *dynamic* nature of space-time, and Riemann's demonstration that mathematics must give way to physics in any truthful representation of physical reality, exemplify the character of Gödel's discovery—that the laws of the physical universe, and of human cognition as a crucial aspect of that universe, are of a higher order than the mechanistic principles of any formal axiomatic system, and thus of any machine.

The Positivist Response

Wittgenstein never accepted Gödel's Incompleteness Theorem, asserting simply that "Mathematics cannot be incomplete, any more than a *sense* can be incomplete." He added: "My task is not to talk about Gödel's proof, but to bypass it."

Goldstein also notes the epistemological equivalence of the Bohr-Heisenberg "Copenhagen School" of quantum mechanics with the philosophic outlook of the logical positivists, such as Russell and Wittgenstein. Bohr insisted that not only is man incapable of knowing underlying laws of the universe, but that no such laws exist—that, like the "random selection" of the Darwinian view of evolution, physical change in the universe is lawless, random, and can only be approximated through probability and statistical analysis. (It was this notion which provoked Einstein, in his quest to discover a unified field theory, to quip that "God doesn't play dice.")

Goldstein also notes that Bohr and Wittgenstein both adopted a "prohibition against asking the sorts of questions that seek to make a connection between the abstract thought of their respective disciplines and objective reality."

Gödel's Friend, Leibniz

Gödel and Einstein were extremely close during their years at Princeton, from Gödel's arrival until Einstein's death in 1955. Einstein once told an associate that he continued going to his office at the Institute of Advanced Studies every day merely for "the privilege to walk home with Gödel." They viewed each other as the only "other" who shared the same mission, the quest for universal principles, such that they could work together on joint cognitive experiments.

When Einstein died, Goldstein reports, Gödel's last true friend in the world was Gottfried Leibniz (1646-1716). He told Karl Menger, his friend from the Vienna Circle days, that many of Leibniz's manuscripts were never published, and some destroyed, by "those people who do not want man to become more intelligent." Menger, exposing his positivist bent, suggested that a "free thinker" like Voltaire was a more likely target of such censorship, but Gödel retorted: "Who ever became more intelligent by reading Voltaire's writings?"

This author had the good fortune to meet several times in the early 1990s with Wang Hao, a close associate of Gödel, and the author of several books about Gödel's life and ideas. He was at the time working on a book attacking Russell and Wittgenstein, drawing both on Gödel's work and his own research. During my own extensive studies of Chinese history and philosophy, I had discovered correspondence between Leibniz and a number of Jesuit missionaries

in China to be of particular interest in examining the common and contrasting characteristics of Chinese and Western thought. I expected that Wang Hao, whose university education was in China, would be able to shed light on this history, especially the role of Leibniz, given Gödel's keen interest in Leibniz as the greatest mind of Western civilization.

To my surprise, Wang was dumbfounded at Gödel's love for Leibniz, and admitted that his own efforts to understand Leibniz had been unsuccessful. Wang also admitted that he knew very little about Chinese history or philosophy. Despite studying with many of China's leading professors, he said that the courses were dominated by the ideas of Bertrand Russell and his positivist allies! He concurred that his current effort to understand Gödel and his war with the empiricists would be beneficially informed by a study of Leibniz's engagement with Confucian thought. Unfortunately, our collaboration was cut short by Wang Hao's death in 1995.

I tell this story in part because I believe a similar point can be made in regard to Goldstein's work—that it would benefit from a study of Leibniz. While she clearly grasps the negative aspect of Gödel's work—his intellectual destruction of the mechanistic mind set of the positivists, she occasionally falls into the mechanists' trap in explicating the implications of Gödel's (and Einstein's) positive conception of the lawfulness of the universe, and the role of man's cognitive power within that lawfulness.

For example, in discussing the fact that Gödel's theorems prove that the mind cannot be reproduced by a machine (which is, after all, only a type of formal axiomatic system), Goldstein writes: "Of course, there is no *proof* that we know all that we think we know, since all that we think we know can't be formalized; that, after all, is incompleteness. This is why we can't rigorously prove that we're not machines." She adds: "Just as no proof of the consistency of a formal system can be accomplished within the system itself, so, too, no validation of our rationality—of our very sanity—can be accomplished using our rationality itself." This is similar to the problem of those who rejected the universality of Euclidean geometry, due to the independence of the parallel postulate, only to replace that postulate with another, creating a "non-Euclidean geometry," but still one based on a set of axioms and postulates.

As Gauss and Riemann recognized, the problem lies precisely in the use of an axiomatic system in the first place, since the real world cannot be described by any formal mechanistic system. Only an *anti*-Euclidean system, such as the complex domain and the Riemann complex surfaces, can begin to describe, in non-linear ways, the actual dynamic processes which characterize the physical universe. Thus, although the *proof* that the mind transcends machines cannot be carried out within a formal system—as Goldstein notes—that in no way means there is no such proof. To say, as Goldstein does, that we cannot prove our rationality "using our rationality itself," mistakenly assumes that "rationality" is an axiomatic system subject to the limitations demonstrated by Gödel, and that a "proof" can only be axiomatic in nature.

In fact, Goldstein shows elsewhere that she understands this point, but, perhaps lacking the Leibnizian concept of the relationship between the mind and the universe as a whole, she falls into the positivist trap. The discoveries of Lyndon LaRouche in the science of physical economy since the 1950s, which themselves derive from the works of Leibniz and Riemann, address precisely that issue—the proof, within the long waves of physical economic processes, of mankind's knowledge of universal principles, or conversely, in the case of physical economic collapse, proof of mankind's failures to discover and master such principles.[2]

Gödel certainly understood this point, since his theorems rest on his assertion that the "undecidable" proposition in his proof is nonetheless recognized by our minds to be true, a cognitive process which is *above* the formal system itself.

Goldstein also reports on a remark by Gödel to an associate that he did not believe in evolution. Later she asserts that few scientists would accept any implications of immortality from Gödel's work, since "we are not only living with the truth of Gödel, but also the truth of Darwin. Our minds are the product of the blind mechanism of evolution." It is likely that Gödel would not have rejected the concept of evolution, but would, rather, object to the degraded and anti-scientific version of evolution promoted by Darwin and his British empiricist promoters. A Leibnizian view, like that later developed by the great 20th-Century Russian scientist Vladimir Vernadsky, locates evolution not within a Hobbesian universe of random chance and survival of the fittest in a war of each against all, but in the coherent universal principles of the cognitive universe, the Noösphere, subsuming the abiotic and biotic phases of dynamic self-development of the universe. The positivists could neither understand, nor even be willing to contemplate, such fundamental scientific concepts, as heretical to their near-religious belief in mechanism.

Goldstein's book is now being translated into 11 languages, demonstrating that there are forces afoot which are anxious to re-invigorate the battle against empiricism. This certainly includes the scientists in the circle of Sheldon Goldstein of Rutgers University, who has been persecuted for his work promoting the ideas of physicist David Bohm, who fought against the Copenhagen School up until his death in 1994. Rebecca Goldstein acknowledges her debt to Sheldon Goldstein, whom she praises as unequalled in his appreciation for "the beauty and elegance of abstract thought."

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2. See Lyndon H. LaRouche, Jr., "Science and Economic Crises: The Pagan Worship of Isaac Newton," *EIR,* Nov. 21, 2003; on the web at www.larouchepub.com/lar/2003/3045pagan_isaac.html

RECONSTRUCTION FINANCE CORPORATION

How Roosevelt's RFC Revived Economic Growth, 1933-45

by Richard Freeman

> The most crucial element of the American System, is the role of Federal credit in promoting the investment in development and maintenance of essential public elements of the nation's basic economic infrastructure, while promoting long-term investment in private entrepreneurial ventures of a type which are to be desired in the general interest. This action is premised on the crucial, constitutional principle of our system, that the creation and issue of legal currency, is a monopoly of the Federal government. This is also the case in practice when, as under Franklin Roosevelt's Presidency, devices such as the Reconstruction Finance Corp. (RFC), were used as a vehicle for accomplishing this result.
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> *—Lyndon H. LaRouche, Jr., "Deficits as Capital Gains: How to Capitalize a Recovery,"* EIR*, Jan. 27, 2006*

The Reconstruction Finance Corporation meets the LaRouche standard, and was an indispensable element of the successful Roosevelt precedent of economic reconstruction of 1933-45. We present a summary of its achievements here, as the second in a series on America's use of capital budgetting. The first dealt with Eisenhower's Defense Highway Act (*EIR,* Feb. 3, 2006).

As the financial system collapsed and the physical economy disintegrated, President Herbert Hoover created the RFC on Jan 22, 1932. He then spent $1.62 billion in RFC funds for a *purely defensive purpose:* to bail out the banking system (and secondarily, to bail out the railroad bonds, which were the largest asset held by the banks). By repulsing attempts to expand the use of the RFC, Hoover utterly failed to halt the physical-economic collapse, or even to save the banking system.

Roosevelt's conception of the RFC was 180 degrees opposed to Hoover's: that the RFC could instead be used as a powerful primary lending institution, which would restore to the United States sovereign control of its credit.

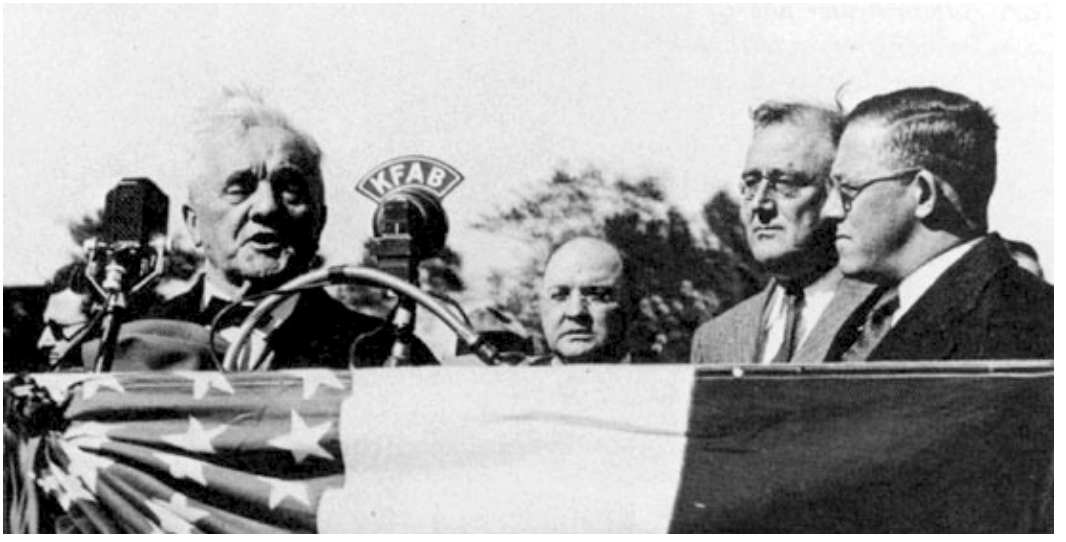
The U.S. government owned the RFC outright. The private financiers did not own or control one iota of the Corporation. Thus, using the RFC, Roosevelt could substantially break with the British-European system of central banking which had dominated the United States since 1900, up through the Hoover Administration. Roosevelt deployed the RFC on the revolutionary principle of Alexander Hamilton's First National Bank (1791-1811): issuing cheap and abundant directed credit to develop infrastructure, machine-tool-design machinery, manufacturing, and agriculture.

Between 1933-45, the RFC lent out $33 billion (over $1.2 trillion in today's dollars), making it the largest lending institution in the United States, and in the world. Roosevelt utilized this credit to carry out three of his central missions:

1. A substantial bankruptcy reorganization of the U.S. banking system, which reversed the headlong collapse.

2. A long-term infrastructure-building program. In collaboration with Harold Ickes' Public Works Administration, and Harry Hopkins' Works Progress Administration, this created millions of productive jobs, and permanently raised the productive level of the U.S. economy.

3. The lion's share of the crash economic mobilization for World War II of 1939-44. This brought a revolutionary



Sen. George Norris of Nebraska, known as the "Father of the TVA," addresses a crowd during the 1936 election campaign, as President Roosevelt (second from right) looks on. Norris worked with FDR to bring electrication to rural America. By 1955, New Deal programs had electrified 88% of American homes and farms.

scientific transformation to the U.S. economy, and doubled its productive output.

As they interacted, these, and other Roosevelt programs, made the United States the greatest agro-industrial power on Earth. The RFC also financed long-term infrastructure development in Ibero-America during this period, and helped launch Germany's Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency). The RFC was then dissolved in 1956.

1. Putting the Banking System Back Together

In the United States, during the first eight months of 1931, approximately 1,000 commercial banks failed. A frightened President Hoover sought a solution in keeping with *"laissez-faire"* dogma.

By October-November 1931, Hoover was desperate. Led by Treasury Secretary Ogden Mills, Hoover's economic team proposed to establish the Reconstruction Finance Corporation. The original intent of the RFC is seen in the message that Hoover sent to Congress on Dec. 7, 1931:

"In order that the public may be absolutely assured that the Government may be in position to meet any public necessity, I recommend that an emergency Reconstruction Corporation of the nature of the former War Finance Corporation [during World War I] should be established. It may not be necessary to use such an instrumentality very extensively. The very existence of such a bulwark will strengthen confidence. The Treasury should be authorized to subscribe a reasonable capital to it, and it should be given authority to issue its own debentures. *It should be placed in liquidation at the end of two years.* Its purpose is by strengthening the weak spots to thus liberate the full strength of the Nation's resources" (emphasis added).

The Congress passed the RFC Act, and Hoover signed it into law on Jan. 22, 1932. It included the following provisions:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that there be and is hereby, created a body corporate with the name 'Reconstruction Finance Corporation'. . . .

"Sec. 2. The corporation shall have capital stock of $500,000,000, subscribed by the United States of America. . . ."

With its government-owned stock, the RFC had the authority to extend credit up to the level of $1.5 billion, which was subsequently increased to $3 billion. To appreciate how substantial the RFC's lending authority was, in 1932, the U.S. government's budget was only $4.66 billion. (The RFC would raise its capital, other than the initial $500 million, through issuing its own debentures—a form of bond.)

A synopsis of the Act, written by its Administration sponsors, stated at the very outset: "To provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes."

The Act approved loans to banks and virtually every type of financial institution; to railway corporations; and to agricultural corporations. It declined to authorize loans to industry, but claimed that by helping banks, it would increase their capacity to lend to industry. This limitation notwithstanding, the RFC had considerable power. But Hoover shrank the Act to performing but one function: futilely bailing out the banks and railroad bonds.

As chairman of the RFC, Hoover appointed Eugene Meyer, who was simultaneously chairman of the U.S. Federal Reserve Board, in order to keep the RFC within this straitjacket. Meyer was a leading force at Lazard Frères investment bank, a key institution of the international Synarchist faction.

During 1932, the Corporation lent $950 million to banks and trust companies; $330 million of that amount went to only 26 banks. While what the banks really needed was a functioning economy, the RFC loans simply increased their indebtedness. Additionally, the RFC lent $337 million to the railroads, which primarily propped up the railroad bond market.

By the end of 1932, the RFC had lent a stunning $1.62 billion, of which 79% was extended as bailouts to banks and railroads. But the economy and banks were no healthier than at the start of the year. It was as if the money had been poured through a sieve.

Hoover's British-vectored policies failed. In 1932, Franklin Roosevelt swept Hoover from office in a landslide. By the time of FDR's Inauguration, the financial system had collapsed. One-quarter of the 23,695 American commercial banks that were in existence at the start of 1930 had declared bankruptcy. By Inauguration Day, every bank, the New York Stock Exchange, and every commodity market in the United States had shut down.

In parallel fashion, the physical economy broke down. Between 1929 and 1933, U.S. industrial production collapsed by between 37% and 54% (depending on the source of the data used). At the start of 1933, steel production operated at a mere 24% of its 1929 capacity. Between 1929 and 1933, net farm income, in constant dollars, had fallen 45%. Officially, 12.83 million workers were unemployed in January 1933, officially constituting 24.9% of the labor force (but the actual rate was higher).

Roosevelt Reverses Hoover's Course

President Roosevelt shifted gears. He saw that the RFC could function like a Hamiltonian National Bank to issue sovereign credit to stop the collapse, and generate a recovery. While Congress exercised rigorous oversight, Roosevelt would not have to go back to Congress to get new funds. The RFC had its own funding mechanism—through issuing debentures to the public—and each time the RFC was paid back the principal and interest on a loan, it could use that as a revolving fund to lend out new, increased volumes of productive credit.

Roosevelt would need to ask Congress to pass amendments to the RFC Act, which would allow the Corporation to lend to industry, and other provisions that the Hoover Administration had blocked.

(In fact, Congress retains the power to change the RFC, and could create a new RFC, or a similar agency with similar powers, today.)

In 1933, FDR appointed Jesse Jones, who was already on the Board of Directors of the Corporation, as chairman of the RFC. Jones, who was strongly anti-Wall Street, had been a successful entrepreneur and rose to head the National Bank of Commerce. In 1913, Jones had been appointed to head the Houston Harbor Board; he was a leader in one of the most important infrastructure projects in the state of Texas: the construction of the Houston Ship Channel and the Port of Houston.

National Archives

Jesse Jones ran the Reconstruction Finance Corp., and helped shape many of FDR's anti-Depression policies.

Expanded Powers of the RFC

One of the first tasks Roosevelt undertook, was to expand the power of the RFC to get the U.S. banking system back on its feet. The day after he took office on March 4, 1933, he issued an Executive Order, using a provision of the 1917 Trading with the Enemy Act, to declare a national bank holiday. This closed all the banks in the United States indefinitely, beginning March 6.

On March 9, Roosevelt introduced to Congress, the Emergency Banking Act, which had been worked out by his economic team, a few members of the outgoing Hoover economic team, and with input from Jesse Jones. Title I legalized the bank holiday Roosevelt had already declared. Title II authorized the U.S. Comptroller of the Currency to appoint conservators who would have the authority to put banks into receivership, and to liquidate the insolvent banks that could not be salvaged. Title III amended the 1932 RFC Act to authorize the Corporation to purchase the capital stock of banks, railways, and other institutions, in order to strengthen the banks, etc., and prevent them from failing. Previously, the RFC could only make loans to the banks. This distinction is significant.The collapse of the economy from 1929 through 1932, had wiped out the banks' ability to earn money from their own loans to manufacturing and agriculture, which, in fact, produced losses. The RFC loans to the banks had meant that the banks had to make monthly or quarterly interest and principal payments to the RFC, at precisely the time the banks had no ability to make those payments. Their condition worsened.

By contrast, under the Roosevelt-RFC policy, the agency was authorized to purchase a troubled bank's capital notes or preferred stock. This increased the volume of the bank's assets and the value of its core capital. This, in turn, brought

FDR Library

Outgoing President Herbert Hoover (left), with Franklin D. Roosevelt, March 4, 1933. Hoover's had tried to use the RFC to bail out the banking system. But his policy was a disaster, since instead of extending credit to build infrastructure and create jobs, he slashed expenditures, declaring, on May 5, 1931, that a balanced Federal budget "was the most essential factor to economic recovery."

the bank up to the required Federal solvency level and gave it funds to lend out. All this, without increasing the bank's indebtedness.

After the bank holiday, the Roosevelt Administration reopened the banks. By April 12, the vast majority had reopened without assistance, while 3,115 nationally chartered banks remained closed; they were not insolvent, but required RFC assistance. Finally, during the course of 1933, the Comptroller of the Currency's conservators liquidated 1,100 banks as irreversibly insolvent.

Many of the 3,115 banks that required RFC assistance would not come forward to seek it. Moreover, a few months after the banks had reopened, Jones discovered that several thousand of them, including several big ones, had serious problems, and would require assistance, or else fail.

Meanwhile, the Synarchist Morgan-Mellon-DuPont banking alliance attacked the revamped RFC as socialist, and discouraged banks from seeking its assistance.

The issue came to a head at the Sept. 5, 1933 American Bankers Association annual convention in Chicago, where Jones was one of the featured speakers. Not a single person applauded his remarks. The next speaker, Federal Reserve Board member Eugene Black, made disparaging comments about Jones' speech. Later, at a convention dinner, Jones was asked to speak; he rose and said:

"I made one speech today, and you did not like it. Now I suppose, I ought to say something to redeem myself in your eyes. What I say here is being said at a private dinner, and is 'entirely off the record'; and if there are any newspapermen here, they will so treat it. . . .

"Half the banks represented in this room are insolvent; and those of you representing these banks know it better than anyone else."

Jones sat down; there was dead silence.

But the logjam was broken. In October, Harvey D. Gibson, president of the large Manufacturers Trust Bank of New York, accompanied by the bank's attorney, visited Jones in Washington. Gibson told Jones that the bank desperately needed $25 million in capital. Jones provided it. Other banks followed suit.

By June 1935, the RFC had an investment of $1.3 billion in the purchase of stock and capital notes of 6,800 banks, which meant that the RFC owned more than one-third of all outstanding capital in the U.S. banking system (if the RFC had wanted to nationalize the banks, it had the leverage to do so; but that was not its purpose). At that point, the RFC decided the banks were stable, and began to disinvest, a process which it completed in a matter of a few years.

Roosevelt and Jones *had put the banking system through a substantial bankruptcy reorganization* (under the reorganization, some banks would further write down their bad financial paper; but the RFC did not write off a lot of the speculative obligations of the banks, simply because, to a large extent, the banking collapse had already wiped out much of it).

The 1,100 U.S. banks put out of existence by Federal conservators in 1933, were but a fraction of the number that would have failed without the Roosevelt-RFC action. In 1934, only 61 commercial banks failed; in 1935, only 32. Roosevelt and the RFC had halted the hemorrhaging of the system.

2. The New Deal's Infrastructure-Building

During the New Deal of 1933-37, Roosevelt used the RFC to finance the recovery and reconstruction of the economy, by building a magnificent array of technology-transmitting infrastructure projects. This had two effects: It employed millions in public works directly, and in the feeder industries for these projects. Second, the infrastructure transmitted technology to the whole economy. This was one of the greatest infrastructure-building programs in the nation's history, second only to that which President Abraham Lincoln and his economic advisor Henry Carey set off during the period 1861-79.

To accomplish this, the Congress expanded the RFC's

Harold Ickes was FDR's Secretary of the Interior, and headed the infrastructure-building Public Works Administration.

powers: In the Spring and Summer of 1933, the Corporation was given authorization to make loans to agricultural districts and to industry; and in 1934, to municipal districts.

Public Works

One historian reported that in 1933, President Roosevelt "wanted the RFC to provide $1.5 billion in direct loans to business and self-liquidating loans to political subdivisions [counties, localities, etc.] for public works." The RFC loans supplemented already existing public works, which were principally financed by general budget funds; or, on many occasions, they financed a substantial share of an infrastructure project.

Roosevelt and the Congress created several public institutions to foster and direct public works. Two were most preeminent: the Public Works Administration (PWA), headed by Harold Ickes; and the set of agencies directed by Harry Hopkins: In May 1933, Hopkins headed the Federal Emergency Relief Administration (FERA); in late 1933, he created the Civil Works Administration for public works; in 1935, the CWA was superseded by the Works Progress Administration. Principally, the PWA built heavy infrastructure; the CWA/WPA built light to medium infrastructure.

Roosevelt, working with the Congress, got two large Federal budget appropriations into public works: $3.3 billion from Title II of the National Industrial Recovery Act of June 1933, which was called the "Public Works and Construction Projects" title; and $5.0 billion from the Emergency Relief Appropriation Act of April 1935, both of which were record amounts in their time. But when money was short, Roosevelt called upon the RFC.

The RFC issued $500 million to FERA in 1933. This made possible one of the most remarkable crash-mobilization public-works programs in history. In late 1933, with the more than 11 million unemployed, and facing a harsh Winter, Hopkins proposed to Roosevelt that he create the Civil Works Administration. With FDR's approval, the CWA started operations on Nov. 9, 1933. Ten days later, Hopkins was employing 800,000 people on CWA payrolls. Two weeks later, the CWA employed nearly 2 million people. By Jan. 18, 1934, the CWA hit its peak employment: 4,263,644 men and women. With RFC assistance, the CWA built or improved tens of thousands of invaluable infrastructure projects, and kept people alive.

Upon the creation in April 1935, of the Works Progress Administration—the CWA's successor—under Hopkins, "the RFC provided the [WPA] with $1 billion so it could begin work immediately," building public works, one historian reported.

The RFC then adopted a novel way to infuse significant funds into the Public Works Administraton, which held large amounts of state and local securities. The RFC offered to take the securities off the PWA's hands and sell them: if in selling the PWA-owned securities, the RFC made a profit, it gave the full value of the security and the profit to the PWA; if it suffered a loss, the RFC would absorb the loss, and pay the security's full value to the PWA. This way, the RFC paid $695 million for the PWA's state and local securities. In the same manner, the RFC sold $199 million of railroad bonds that had been owned by the PWA.

For its large-scale, capital-intensive programs, the PWA used its RFC-supplied funds to buy machine tools and earth-movers, and participated in, or financed projects, which transformed the nation, such as the Hoover Dam; the Grand Coulee and Bonneville dams; and in part, the river diversion/flood control of the Mississippi River (in conjunction with the Army Corps of Engineers). From 1933 to 1939, 70% of the nation's new school buildings and 35% of its hospitals and health systems, were RFC projects.

In toto, from 1933 through 1938, the RFC channelled more than $2 billion into Ickes' and Hopkins' public works programs. In addition to transmitting technology which permanently upshifted the productive power of infrastructure, which in turn, upshifted manufacturing and agriculture, the public works programs provided jobs: There were on average 3.1 million public works jobs created per year; these produced a multiplier-effect, generating the private-sector manufacturing jobs producing the steel, cast-iron piping, cement, bricks and tiles, and advanced machinery that were consumed in building the infrastructure projects.

The RFC financed many other crucial infrastructure-public works programs. For example:

- It lent $145 million to 632 levee and irrigation districts in Illinois, Missouri, Florida, Mississippi, Colorado, California, and Texas, to enable these districts to remain solvent, and in many cases to construct water-management and flood-control projects.
- It disbursed $26 million to Chicago teachers, who had not been paid in nine months. This kept the schools open.

• It lent $209 million to construct the 244-mile Colorado River Aqueduct which conducts water from the Colorado River, obtained from Hoover Dam storage, across the mountains to Los Angeles, San Diego, and 26 smaller communities in Southern California. Today, this aqueduct is the source for much of the water supply of Los Angeles, America's second-largest city.

• It lent $13 million to build a bridge over the Mississippi River at New Orleans.

• It lent $78 million to build the famous 1.5-mile San Francisco-Oakland Bay Bridge.

• It lent $1.9 million to Utica, N.Y., to build a waterworks system.

• It lent $35 million to the Pennsylvania Turnpike Commission to build a 160-mile toll highway from Pittsburgh to Harrisburg, entailing the world's deepest highway cut.

• It lent $8.1 million to build Knickerbocker Village, a low-rent housing development in New York City.

• It lent $5 million to construct a series of dams and canals along the upper Rio Grande River near Albuquerque, New Mexico.

Most of these were of Federal capital budget (5- to 20-year) loans in maturity. The RFC financed every type of infrastructure—many were very large, but some were medium-sized. The loans were all paid back.

Reviving Rail

When RFC chair Jesse Jones decided to turn his attention to rebuilding the nation's railroads, he came up against the banker-controlled railroad board of directors, which, having asset-stripped the railroads, and provided themselves the highest salaries in all U.S. industry, then pushed to put those railroads into a form of bankruptcy/receivership, where they could continue to operate at minimal levels. Jones engaged in hand-to-hand combat with the board.

In May 1933, the Harriman-run Southern Pacific leaders met with Jones in Washington about a loan. But there were conditions. At this time, Hale Holden, chairman of Southern Pacific, had the highest annual salary of any rail executive in the country, at $150,000; Paul Shoup, the vice chairman, and Angus McDonald, the president, drew $100,000 and $85,000, respectively. Using authority that the Congress had newly passed in 1933, Roosevelt proposed slashing Holden's salary to $25,000; Jones actually cut it to $60,000; Shoup's and McDonald's salaries were trimmed to $50,000, and $42,500, respectively. Shoup and McDonald resigned, but Southern Pacific got the loan.

Then Jones directed Southern Pacific to place a portion of its funds into capital investments to improve the physical condition of the railroad, and to hire back workers.

Jones carried out similar reorganizations with several other railways.

It is noteworthy to compare what Jones and the RFC did in the 1930s, to what could be done with the auto sector today.

FDR Library

Harry Hopkins headed a set of agencies including the Civil Works Administration and the Works Progress Administration, that built light to medium infrastructure.

GM, Ford, DaimlerChrysler, and some major auto-parts producers, like Delphi Corporation, under the policy of globalization, have shut down hundreds of auto plants in the United States, with invaluable machine-tool capacity, and fired hundreds of thousands of skilled workers over recent years. What have the White House and the Congress done about it? Outside of a few statements, absolutely nothing. The Bush-Cheney Administration has even stated that this is a matter for "free enterprise" to determine.

In Spring 2005 memos, Lyndon LaRouche called for putting the auto sector into "strategic bankruptcy," and changing the policy and even management of the auto companies, if necessary. Some have protested that the government is not allowed to do this. But this is exactly what Jesse Jones and the RFC did.

Inventive Practices

The RFC also engaged in some inventive practices:

• It set up public corporations, whose stock it owned, to carry out lending to other sectors of the economy. One example was the Home Owners Loan Corporation (HOLC), established in June 1933. At that time, 40% of the nation's mortgages were in default, and thousands of homeowners were foreclosed on and thrown out of their homes every week. The mortgage lending institutions were bankrupt. Therefore, the RFC created the HOLC, and used $200 million of its monies to purchase *all* of the Corporation's initial capital stock. The HOLC was then allowed to issue up to $2 billion (eventually, $3 billion) in bonds—a 15-fold multiplier effect. The HOLC lent money to strengthen shaky home mortgages, and issued cash advances to help homeowners pay taxes and make repairs. By the time it went out of existence in 1936, the HOLC

had helped refinance one in five mortgaged urban private dwellings in America. The HOLC brought an end to mass home foreclosures.

The RFC repeated the process of setting up an agency with a credit-multiplier mechanism in the farm sector, to prevent the massive foreclosure of family farms. The RFC created the Federal Farm Mortgage Corporation (FFMC), and bought all of FFMC's stock. By 1936, the FFMC had refinanced more than 20% of all farm mortgages in the United States, preventing farm foreclosures and the shutdown of farming.

- In the Fall-Winter of 1933-34, President Roosevelt revalued America's official gold price, and devalued the dollar, a move intended to break the British oligarchy's gold cartel and its grip on the banking system, which kept the world in a deflationary vise. The RFC was the principal agency through which Roosevelt administered this policy, which included the Congress passing a Jones-sponsored piece of legislation which gave the RFC a $50 million fund to buy up "market" gold.
- In 1934, the RFC created the Export-Import Bank of the United States as a division within the RFC. It financed export of American capital and other goods around the world.
- In 1937-38, the RFC created the Federal National Mortgage Association (Fannie Mae), which, in its original form, played a positive role, injecting money to banks to enable them to increase the volume of home mortgages.

The RFC's Electrification of America

Roosevelt's use of the RFC to finance the electrification of rural America is exemplary of Roosevelt's deployment of the RFC as an institution of sovereign credit-creation to finance *long-term infrastructure projects* over a duration of 20 years or longer.

During the 1920s and 1930s, the power trust—the electric companies owned by the Morgan Bank, the Mellon family, the Duke family (of tobacco notoriety)—owned electric-power generation and electricity transmission in the United States. They forcefully suppressed the availability of electricity, especially to rural America, insisting that the communities in the South and Far West, did not need development, and besides, they alleged, it cost too much to build power-generating stations, and to string transmission wires to these communities. Consequently, in 1934, only 1% of the farms in Mississippi, and 3% in Tennessee had electricity. Over 49 million (or 89%) of rural Americans had no electricity; two-fifths of all Americans were without electric power.

To break through this roadblock, Roosevelt had great public infrastructure projects built that would produce abundant cheap electricity: the Tennessee Valley Authority; the Bonneville and Grand Coulee Dams in the Far West; the Hoover Dam in the Southwest; etc.

Then the electricity had to be transmitted. On May 11, 1935, Roosevelt issued an Executive Order (relative to the Emergency Relief Appropriation Act), which created the Ru-

How the REA Deal Happened

In his book *$50 Billion: My Thirteen Years With the RFC,* RFC chairman Jesse Jones gave a colorful account of how the financing arrangement for the Rural Electrification Administration (REA) came into being.

Jones wrote that, one day in 1935, he was meeting with Roosevelt in the President's office, when the President asked him to meet with Sen. George Norris of Nebraska, who was just then coming into the office, about the REA. According to Jones:

"When we got in the Cabinet room I asked the Senator what he had in mind. He said he wanted the farmers to have the benefit of electricity and explained his idea of groups of farmers organizing themselves and borrowing money from the government to get electric service.

"I asked the Senator how much money he thought it would take.

"He replied, 'A billion dollars.'

" 'How fast can that money be spent?' I asked. 'How much a year do you think will be needed?'

" 'Forty million dollars a year,' he replied; . . .

" 'Well, what would you think, Senator, of our adopting your plan in principle by [the RFC] making a definite commitment for ten years? That is, we would make available $40,000,000 a year for the first ten years.'

" 'That would be all right,' the Senator replied, 'but we are not going to pay your rate of interest.'

" 'Do you think 4 per cent is too much?' I asked.

" 'Yes.'

" 'What do you think about 3 per cent?'

"That would be the right figure,' Senator Norris remarked.

" 'Then we are in agreement,' I said. 'The RFC will lend $40,000,000 a year for the next ten years at 3 per cent interest, secured by notes of local rural electrification organizations such as cooperatives, . . . with a 20 per cent margin to the RFC. That is, we will lend 80 per cent of the face value of the farmers' notes to the local [REA] agency.' "

Jones wrote, "That was the creation of the Rural Electrification Administration which has proven of immense value to rural sections throughout the country."

ral Electrification Administration. The Executive Order stated the REA's purpose: "To facilitate, formulate, administer, and supervise a program of approved projects with respect to the generation, transmission, and distribution of electricity in rural areas." The Norris-Rayburn Act, passed in 1936, gave the REA more permanent footing.

The REA was the brainchild of Roosevelt himself; key REA personnel included Sen. George Norris (R-Neb.), who also played a major role in creating the TVA; and Morris Llewellyn Cooke, a brilliant engineer whom Roosevelt had appointed in 1933, as the head of the Federal Mississippi River Commission, which planned out, over the next two years, the water management, flood control, and where appropriate, hydroelectric power generation, along the immense expanse of the Mississippi River system and its tributaries. Roosevelt appointed Morris Cooke as the REA's administrator.

Roosevelt biographer Kenneth S. Davis reported in *FDR: The New Deal Years, 1933-37:*

"Cooke quickly discovered, if he did not know to begin with, that [the] REA could not operate as a relief agency if it were to pursue successfully its main goal of rural electrification. If it expended at the very least 25 percent of its budget on labor, drawing 90 percent of the labor from relief rolls, as the relief agency guidelines required, it could do little to electrify America. Cooke therefore proposed that it become primarily a lending agency, using funds supplied by the Reconstruction Finance Corporation to make low interest loans to facilitate the construction of transmission lines into the electricity-starved countryside."

The prime source of REA funds for this undertaking would be the RFC.

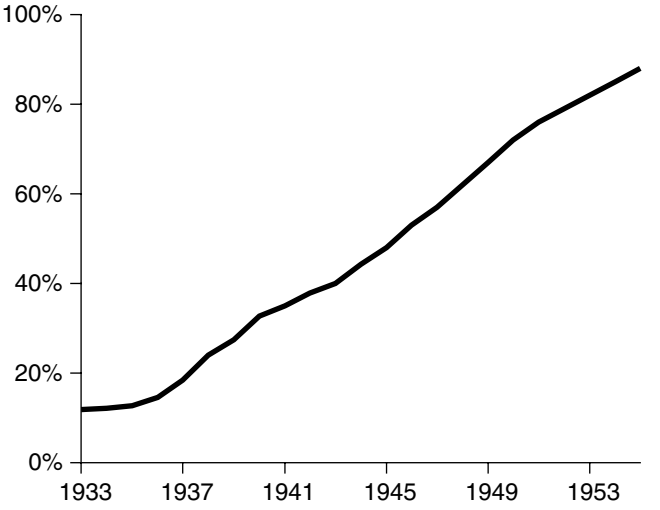
According to his own testimony, Jones negotiated the general shape of the arrangement with Senator Norris, coming up with a target of lending $40 million a year, at 3% interest, over the course of ten years. (See box.)

Accordingly, the REA established cooperatives in each local area of the country, each of which hired someone to build the electricity transmission system in that area to bring power to the farms. Each local REA cooperative borrowed from the REA national center (by presenting individual farmers' notes, which the REA national center would discount). Thus, the REA national center was loaning to its cooperatives 20-year, 3% interest loans. In turn, the REA had borrowed money from the RFC.

Thus, the RFC was deliberately making possible long-term capital loans to the REA cooperatives. This gave the cooperatives a sufficient time horizon to build the transmission lines, and pay back the loans through selling the electricity.

By 1943, the RFC had extended in credit $246 million to the REA—for its day, a huge sum. By this impetus, by the mid-1970s, the REA program included 1.8 million miles of power transmission lines, 50% of the nation's total. **Figure 1** shows that in 1933, only one in ten American farmers had electricity; as the full effect of the REA and New Deal programs came on line, this rose to 88% by 1955.

FIGURE 1
American Farms With Electricity, 1933-55
(percent)



Source: National Archives of the United States, U.S. Dept. of Agriculture.

After his home was electrified, one farmer exclaimed, "Electricity is the greatest development, next to God."

Electrification revolutionized farm life, saving farmers and their families 10-20 hours of labor, per person, per week. In terms of home life, this included not having to hand-pump water outside and bring it into the house (which could take up to two hours per day); not having to heat water in a fireplace to take a bath or clean dishes; not having to wash clothes by hand, etc. In terms of farm work, productivity was doubled, or even quadrupled; electricity could run an electric pig brooder, infra-red chicken hatchery, refrigeration system, corn shellers, or milking machines; it could power and repair farm machinery. It produced a social revolution: Farm families now had more leisure time, including reading and schooling time.

Between 1932 and 1939, the RFC extended $9.5 billion, and, with the exception of the Hoover money, all of it was productive.

3. The RFC Drives the Economic Mobilization of 1939-44

For his greatest challenge, the economic mobilization for World War II, 1939-44, Roosevelt turned again to the RFC. It would finance a crash economic build-up, in which science

Pennsylvania Rural Electric Association

Morris Llewellyn Cooke was appointed by President Roosevelt to run the Rural Electrification Administration.

became the driver of the economy. This involved the mass production and the technological gear-up of two indispensable sectors in particular: the nascent aircraft industry, and the machine-tool-design sector. The great projects of the New Deal would now generate the immense volume of electricity needed to produce aluminum, which was used in aircraft production, and other wartime materiel.

In 1939, Roosevelt began to gear up military production; until the United States entered the war, following the Japanese attack on Pearl Harbor, on Dec. 7, 1941, the nation's war production was sent overseas, primarily to Russia and Britain (in 1939-40, under the "Cash and Carry" policy; and in 1941, under "Lend-Lease").

Roosevelt understood the overall principle involved: He shook up the nation with this challenge on May 16, 1940: "Our immediate problem is to superimpose on [existing U.S.] production capacity, a greatly increased production capacity. I should like to see this Nation geared up to the ability to turn out 50,000 planes a year." He called for modernization "to increase production facilities for everything needed for the Army and Navy for national defense, and to put all factories with Army and Navy supply contracts on a twenty-four hour basis."

In a May 17, 1940 editorial, the *New York Times* revealed the source of the funds for the mobilization: The "capital would be filled by loans advanced through the Reconstruction Finance Corporation."

From 1941 through 1945, the RFC extended in credit, the extraordinary amount of $23 billion, for the war mobilization. That would be the equivalent of $795 billion today.

In the mobilization, the United States would develop entirely new industries, like aluminum, magnesium, synthetic rubber; and nascent scientific fields, such as radar, the harnessing of the atom, and penicillin; as well, it would scientifically upgrade existing industries, like steel and machine tools. Each year, industrial sectors were pushed to what was thought to be their limits, only to exceed them, and then repeat the same process the next year; accordingly, over half a decade, the U.S. physical economy doubled in size.

To do this, the United States had to overcome the key chokepoint: an insufficient machine-tool-design sector, indispensable for an industrial gear-up. Machine tools build all the other machines which are used in every phase of the economy, from the machines that produce aircraft, to those that make aluminum, to those that make steel. This is done as follows: The most advanced scientific discoveries are incorporated into the design of the machine tool, which then transmits the higher technology into other machines and the economy as a whole. Without machine tools, new plant and equipment cannot be constructed, and old plant and equipment cannot be retooled. In 1938, the U.S. only produced 34,000 machine tools of all kinds.

In December 1940, after much internal debate, the RFC devised a mechanism to invest what would ultimately become $2 billion into America's machine-tool sector. The unique way it did this, was to use the Defense Plant Corporation (DPC), to make the investment. The RFC had set up the DPC as a subsidiary in August 1940, to make investments in production facilities for all U.S. defense production.

The DPC set up a pool, starting with $35 million, to purchase machine tools. It then advanced a portion of the purchase price (usually a third) to the manufacturer directly, and promised to pay all of the cost of the machine tool, if a private purchaser did not come forward. The RFC assumed all the risk. The machine tool was then put into a pool, where it would be available to any industrial corporation that needed it. With the money advanced from the DPC, the manufacturer could produce the machine tools, and also make the investment to expand his own capacity. In reality, and all parties understood this, *the RFC's Defense Plant Corporation was loaning money against the future production of machine tools.* The manufacturers used a significant portion of the DPC's advance as capital investment, expanding the production capacity of the machine-tool sector.

On top of this, the DPC program also lent money for working capital to the machine-tool manufacturers. The program was intended to allow the manufacturer to free up a portion of his own funds that he otherwise would have had to spend for working capital, into investment in new plant and equipment. This further increased the building of new machine-tool plants.

The DPC extended $284 million to the machine-tool program in 1941, $1.361 billion in 1942, and $223 million in 1943: a total of $1.945 billion. As a result, thousands of machine-tool shops were started up again, and added immense new capacity, either enlarging existing plants, or building hundreds of new plants. Machine-tool production reached

unprecedented heights. Under the impress of the RFC's Defense Plant Corporation, by 1942, the U.S. produced 307,000 machine tools, 50 times the level of 1933, and nearly ten times the level of 1938.

These machine tools had a far greater technological power than what came before—of critical importance in producing aircraft. For example, the engine for the Wright Cyclone 14 aircraft was composed of 3,500 different parts, totaling 8,500 pieces, requiring an estimated 80,000 machining operations. Therefore, new machine-tool techniques as well as machines were developed. In the Oct. 1, 1942 issue of *Automotive and Aviation Industries* magazine, George H. Johnson, then president of the National Association of Machine Tool Builders, provided an example:

"One of the most difficult and important assignments given the machine tool industry was the design and building of hundreds of special-purpose machines needed to convert the aircraft engine industry from small-lot to mass production." The article then refers to an accompanying photo of "a specially designed machine which drills, countersinks and spotfaces 224 identical 3/8 inch holes in an aluminum airplane engine crank case. It works simultaneously on 32 holes from two different directions. These operations previously took two hours twelve minutes. This one machine now completes the job in 23 minutes."

This 83% reduction in production time for this single operation, was repeated, in hundreds of thousands of production processes daily throughout the economy. The United States not only produced ten times the number of machine tools it had five years earlier, but each machine tool was two to five times more powerful and efficient. This not only generated a record output of defense goods and logistics-in-depth to defeat the Nazis and their allies, but that potentiality—a new economy—was embedded, and available for use when the war was over.

Library of Congress

A carpenter at work on the Douglas Dam in 1942, part of the massive TVA project. Great infrastructure projects like the Hoover, Grand Coulee, and Bonneville Dams were made possible by financing from the RFC.

Retooling the RFC

To accomplish this, the RFC had to be changed so it could extend its directed credit to all manufacturing that would need it for the task ahead. Three RFC officials played a special leading role: Emil Schramm, Clifford Durr, and Hans Klagsbrunn. When on July 15, 1939, Jesse Jones resigned as RFC chairman to become the Federal Loan Administrator (with general supervision over the RFC), Schramm became RFC chairman. Schramm had joined the RFC in 1936 as head of its levee and drainage work. He kept an open mind to new proposals. Durr and Klagsbrunn were leaders of what might be termed the "New Deal Caucus" at the RFC, strongly supporting Roosevelt's policies. Durr was chief of the RFC's legal section, concerned with bank recapitalization when the RFC restored the U.S. banking system. He resigned from the RFC in late 1941, over a policy dispute. Indicative of Durr's outlook, is the fact that, in 1955, he was the lawyer defending Rosa Parks during the Montgomery Bus Boycott. Born in Vienna, Klagsbrunn had joined the RFC in 1933, working jointly with Durr.

Sensing that war with fascism was inevitable, and taking seriously Roosevelt's clamor to launch a build-up, Klagsbrunn and Durr sought a total change in the RFC's lending policy to industry. As a result of amendments the Congress passed in 1933, the RFC was authorized to make loans to business, provided the business was in a position to pay the loan back; often the RFC would make such loans only if the business were distressed. Now, Durr and Klagsbrunn sought to have the RFC make loans to business for purposes of "defense." According to an historian, they wanted the RFC "to makes loans and purchase stocks in corporations for national defense purposes, either directly or through subsidiaries." Further, they sought for the RFC to have the power to set up subsidiaries that could purchase strategic and critical materials and also authorize loans for "the construction, expansion and equipment of industrial plants." They also contended that if the U.S. government financed the construction of a plant, it should own the plant, and lease it out to defense production companies.

Working with the approval of RFC chairman Schramm

and President Roosevelt, the Durr-Klagsbrunn proposals were written into legislation to amend and enhance the RFC's powers stated in the 1932 RFC Act. The bill was presented to Congress in May 1940, the same month Roosevelt called for producing 50,000 planes per year.

The legislation proposed the RFC could set up subsidiaries, as government-run corporations, to implement the above tasks. These corporations were empowered, among other things, to "purchase, and produce equipment, supplies and machinery for the manufacture of arms, ammunition, and implements of war."

The Congress passed the legislation containing these proposals, and amending the 1932 Act, enabling the RFC to create subsidiaries that did the major work for the economic mobilization for World War II: the Defense Plant Corporation, the Defense Supplies Corporation, the Rubber Reserve Company, and the Metals Reserve Corporation (these four were created between June and August 1940).

In 1941, the RFC recognized that it needed legislation that made explicit its authority to lend not only to the company that produced the final military unit, such as a tank, but also to the company that was a few steps down on the production chain, say the company that produced the ball bearing. It had legislation introduced that would give the RFC this power. P.D. Houston, president of the American Bankers Association, protested: "If business is going to the government for the bulk of its credit now, it will be dependent on the government in the future." Rep. Jesse P. Wolcott (R-Mich.) charged that the bill, if enacted, "would grant such broad powers to the executive branch of the Government as to make it possible to establish a Fascist state in the United States."

Congress, nonetheless, passed the legislation to give the RFC the further power it requested.

The strengthened RFC could now fulfill its mission to make investments in aircraft—the single biggest element of its financing—and to other industries.

With the RFC able to lend to virtually every part of the economy, at an interest rate of 3-4%, and as a result of Roosevelt leaning on the U.S. Federal Reserve Board to keep the discount rate at no higher than 1.0% from 1940-45—commercial banks could borrow at 1.0%, and lend at 3-4% interest rate—the credit market of the United States woke up to a new reality: Directed credit would go to manufacturing.

The Defense Plant Corporation went into full mobilization. The DPC financed, partially or wholly, 14 of the 15 largest airplane-engine plants constructed during the Second World War.

The Defense Plant Corp.

The Defense Plant Corporation directed credit to multiple industries, producing a technological shock-front that finished off the Depression. We look at three industries: aircraft, steel, and aluminum.

Aircraft Greenfield Plants: The DPC financed the construction of the $176 million Dodge aircraft-engine plant, near Chicago, one of the largest industrial plants in America. The factory built the engines for America's B-29 Superfortesses and the B-32 heavy bombers. The new plant complex consisted of 19 buildings spread over 476 acres, operating more than 100,000 machine tools, and employing more than 50,000 workers.

Aircraft Retooling: The RFC extended hundreds of millions of dollars to General Motors and many other companies to retool existing facilities to produce aircraft engines and parts. In toto, the DPC disbursed $3.03 billion to the aircraft defense sector: In 1939, the United States produced 5,865 planes; by 1944, some 96,000, a more than 15-fold increase. By its November 1943 peak, the army of aircraft plant employees grew to 2.1 million workers—12.4% of the total national manufacturing workforce.

Aluminum: Aluminum had been known since 1825, but its production is very energy-intensive; therefore its commercial supply had been limited. But the hydropower of the New Deal—projects such as the TVA—provided plentiful, cheap electricity. The RFC disbursed $702 million, and as a result, aluminum production rose 28-fold, from 100 millon tons before the war, to 2.78 billion tons in 1945.

Steel: Roosevelt had to have a knock-down, drag-out fight with the Morgan-led U.S. Steel and Bethlehem Steel companies, which resisted the government's efforts to expand steel production. The President, after consultation with RFC Chairman Jesse Jones, authorized the DPC to disburse $947 million to build and upgrade 183 steel and pig-iron plants, adding 10-11 million tons of capacity.

In all, the RFC, through the DPC and its other subsidiaries, between 1941 and 1945, extended $23 billion in credit, equivalent to $795 million in today's dollars. Each of the 2,300 projects triggered 10-30 projects/contracts in the industries that supplied the machines, materials, etc., into the main project. As the U.S. physical economy became more productive, the labor force was also upgraded, through extensive skill training by the government and private industry, and the creation of manufacturing jobs. Between 1939 and 1944, the manufacturing labor force jumped by 70% to 17.3 million, while the legions of unemployed shrank to less than 1 million.

TABLE 1
Employment by Sector, 1939-47
(In Millions)

Year	Armed Forces	Civilian	Manufacturing	Unemployed
1939	0.37	55.75	10.28	9.48
1940	0.54	55.64	10.99	8.12
1941	1.62	55.91	13.19	5.56
1942	3.97	56.41	15.28	2.66
1943	9.02	55.54	17.60	1.07
1944	11.41	54.63	17.33	0.67
1945	11.44	53.86	15.52	1.04
1946	3.45	57.52	14.70	2.27
1947	1.59	60.17	15.55	2.36

Solving Unemployment, Through Production

Using the Reconstruction Finance Corporation as a fulcrum, Roosevelt's approach was a total success. It absolutely defeated the Depression, and went far beyond. It used a crash mobilization, behind a scientific mission, incorporating the extraordinary infrastructure built during the New Deal.

Table 1 shows the change in the labor force. In 1939, the official number of unemployed, at 9.5 million, was almost as large as the total number of the manufacturing workforce, at 10.3 million. By 1944, the unemployment level had fallen to 0.67 million; there was an acute labor shortage throughout all sectors of industry. This represented a reduction of the unemployment level by 8.81 million.

From 1939 until 1944, the U.S. armed forces grew from 370,000 to 11.41 million. The common, but false interpretation of the war period, is that the armed forces simply absorbed the unemployed. But look at what happened to the manufacturing labor force: It grew by 7.3 million, or 70%, during the war years. In 1947, a recessionary year, the level of unemployment was 2.36 million, but never anywhere near the 1939 level, of nearly 10 million. The labor force had been changed.

The industrial production of the American economy, based on an index of 1967=100, had risen from 21.7 in 1939, to 47.4 in 1944, a more than doubling. The recovery of the American economy was achieved. When combined with the preceding infrastructural and other achievements of the New Deal, the result was explosive, anti-entropic growth.

A frightened reaction to Lyndon LaRouche's proposal to scrap existing policy, and adopt an American System sovereign credit system, as with retooling the auto sector—is to say that the ideas are lofty and good, "but let's be practical," they cannot ever be implemented.

As the U.S. financial system enters systemic breakdown, the LaRouche solution not only becomes necessary—it is the only solution. To anyone who says it can't be done, the Roosevelt precedent says, yes, it can.

Mittal-Arcelor Steal: Behind the Fairy Tale

by Jacques Cheminade

Mr. Cheminade is the pre-candidate for President of the Solidarity and Progress party in France. This abridged version of his article has been translated from French.

"An Indian ogre, Mittal Steel, has launched the biggest hostile takeover bid in the history of the European steel industry, to grab hold of European giant Arcelor. A plum industry may thus fall into the lap of a third world, family-run group."

Those lines are the children's fairy tale version recounted by mass media, concerning a gigantic financial operation that, in its initial stage, represents roughly 18.6 billion euros, with billions more to come.

On the French side, "economic patriotism" has nothing to do with it. What is actually going on here, is the next stage in "globalization," in which "creating value," or, in plain speech, generating cash flow, is deemed far more critical than any principles, whether national, industrial, or social. What the press refers to as "Indian" is no more Indian than I am, and what it calls "French" is a Luxemburg-based conglomerate.

The actual policy is to cartelize steel production and set up, as Mittal Steel's Chairman Lakshmi Mittal has aptly put it, a "global champion."

Now, what is Mittal Steel? It comes from India, where, backed by huge financial groups, the company became involved in buying out, and then restructuring major companies. It's just the sort of thing practiced by Claude Bébéar of the AXA insurance empire: Operating out of a tiny insurance firm at Rouen, les Anciennes Mutuelles, Bébéar swallowed up, step by step, bigger and bigger firms.

Although, unlike Bébéar, Lakshmi Mittal is not wont to pose for photographers in front of the carcasses of African game, he too is a "real killer." Said to be the world's third richest man, his London home is reported to have cost $100 million, and the pool in his garden to be encrusted with precious stones. Mittal *adores* France, and when his daughter Vanish married a City of London financier, he spent 60 million euros on a string of wedding feasts that flitted from Versailles through Vaux-le-Vicomte to Saint-Cloud. But look on the bright side: the currently ruling UMP spent eight times less on the coronation of Interior Minister Nicolas Sarkozy.

In any event, Mittal's business, run through a network of opaque, family-owned firms, is, believe it or not, a Dutch company that is listed on the Dutch and New York Stock Exchanges, and operates throughout Asia, the United States, and various Third World countries.

Mittal's bankers are Citigroup, Goldman Sachs, HSBC, and Crédit Suisse—the predatory hard core of financier, anti-industrial "capitalism."

Amongst the Mittal networks, one finds the usual London School of Economics pranksters, and Washington lobbyists, as well as "graduates" from the big banks, notably Rothschild. In a nutshell, what the Mittal saga actually shows, is simply that India's economic fabric, too, has been eaten away by Anglo-American imperial interests, tearing at whatever might be left of the national "wealth"!

It Started in 1977

As for Arcelor, here we have more beer drawn from the same barrel. Arcelor is the product of a merger between the French firm Usinor-Sacilor, the Luxemburg firm Arbed, and the Spanish firm Aceralia, a three-headed unit "built up" by downsizing their respective labor forces, and through public subsidy.

Backtrack to the history of the French side of things. Usinor and Sacilor were nationalized by the French government—then led by Prime Minister Raymond Barre—in 1977, under circumstances curiously advantageous to their shareholders and owners. The French state took over the firms' debt, and drastically cut the workforce.

Then, in 1986, Jacques Chirac appointed one Francis Mer to act as Usinor's CEO. Thanks to 70 billion French francs (10 million euros) of state subsidy, Mer allegedly "turned the situation around," and eliminated another 70,000 jobs.

Usinor then merged with Sacilor, only to be sold off to private interests in 1995, at a price that all commentators found absurdly low, at a mere 10 billion francs. Some 55% of its capital was then bought up by foreign, essentially Anglo-American, investors and investment funds.

In 1997, the "Socialist" Finance Minister Dominique Strauss-Kahn allowed the French state to sell off to private interests the 7.7% of Usinor-Sacilor shares it still held. Then, under the "Socialist" government of Lionel Jospin, the Usinor-Sacilor-Arbed-Aceralia merger took place. Further downsizing allowed Arcelor to rake in more cash for the shareholders, while 82% of its capital floats on the stock exchange without control of any kind.

The very agencies and individuals who now are thumping their chests against the Mittal operation are those who made it all possible. Arcelor's bankers are BNP-Paribas, Deutsche Bank London, and Merrill Lynch Paris. Its "guide" is Michel Pébereau of the Aspen Institute, touted as the Godfather of New French Capitalism, as Claude Bébéar's star wanes. Exane, whose parent company is BNP-Paribas (this was the merchant bank advising Arcelor), published a study on Oct. 7, 2005 praising Mittal Steel to the skies, as "champion in value-creation in recent years." The Exane study concluded that "a rapprochement between Mittal and Arcelor would be the perfect combination. . . . Such an operation might occur very shortly." And so, indeed, it has.

Laugh or Cry?

Should one laugh or cry, on hearing some bemoan the loss of "economic patriotism"? Take a look at the individuals whose appointment as European Commissionners for "Competition and Industry," were signed onto by the French government with both hands: the Dutchwoman Neelie Kroes (as Dutch as Mittal Steel) and Günter Verheugen. Count on that pair to apply the rules of "free and easy competition," and, of course, to support Mittal's takeover bid.

Droll, but perhaps not all that funny: In late December 2005, the French government issued a so-called "anti-hostile takeover" decree. The idea was that foreign investment into 11 protected business areas would be subject to prior approval from the government. Casinos and gambling of various kinds were covered by the decree—*not,* however, the steel industry.

Ill-fated decree! The European Commission opposes it. Poor and shabby as it is, the decree, horror of horrors, supposedly represents a "protectionist" and "discriminatory" move. No less is said in an official missive, pompously forwarded to the French government by one Alexander Schaub, a bureaucrat who heads one of the European Union's General Directorates. Nor can Arcelor protest too much at the Mittal Steel ploy: Three short days before the latter's bid, Arcelor had grabbed hold of the Canadian firm Dofasco!

All of this, all of it—lock, stock, and barrel—has nothing to do with the rationale behind the European Coal and Steel Community (ECSC) at its founding in 1951. All that is left over, is a monetary and financial Union, a conveyor belt for imperialism masquerading under the name of globalization.

Since 1981, France has spent 15 billion euros on "saving" the European steel industry, through downsizing and production cutbacks. Overall, including similar sums paid by Luxemburg and Spain, 23-25 billion euros have thus been squandered, while Mittal Steel intends to buy Arcelor for 18.6 billion euros. The latter sum represents but five times Arcelor's net income. And Mittal Steel proposes to cover 75% of its bid, by issuing fresh Mittal shares.

If we are to accept the monetarist outlook that our monetarist gentlemen very plainly do accept, no state in Europe may lawfully resist such bids. Nor should such a state even have access to enough funds to prevent it.

"The real bosses here, let's face it, are the U.S. pension funds," said one of the remaining Arcelor steelworkers at Dunkirk. And the pension funds themselves are run by the financial oligarchy, which also runs the European Commission.

'Locust Funds' Seizing German Housing Sector

by Rainer Apel

The big run by the international "hot money" crowd on Germany's real estate and its public-housing sector in particular, is heating up. "Super Returns," the theme of a conference in Frankfurt on Feb. 20, of several hundred hedge funds, private equity, and other funds, indicates their expectations: generating giant revenues from big shares of public housing which are bought at a favorable price from cash-strapped municipalities. A half-million apartments in the municipal housing sector have already been purchased, and the purchase of 2 million more is in the works, according to a new survey by Morgan Stanley. The planned purchase of 48,000 apartments in Dresden by Fortress, a U.S. fund, for 1.7 billion euros, will be one of the bigger deals in this category.

The run on Germany's municipal housing sector began in Berlin in 2004, when the Cerberus fund bought almost 65,000 apartments from the publicly owned GWS for 2.1 billion euros, and another 4,000 from GEHAG, a housing agency also owned by the city. The much-contested deal, signed in May 2004 by the socialist Berlin administration, after months of heated public debate, gave the heavily indebted city 405 million euros, and made Cerberus a leading factor in the Berlin housing sector. The Berlin administration has sold 170,000 apartments over the recent years, but still owns 270,000.

The relatively secure revenue from the housing sector allows funds like Cerberus to get preferable conditions for loans from banks and other funds for highly speculative operations that yield (so far, at least) enormous profits at excessively high interest rates, in places like Iceland, for example. Some of these profits end up in aggressive takeover operations, such as the current one against GMAC in the United States, or even in those camps that Cerberus runs under the cover of "real estate" projects in Iraq. U.S. Defense Secretary Donald Rumsfeld, not surprisingly, has invested money in Cerberus.

Impact on Upcoming Elections

These public-housing takeovers will certainly be an issue in the upcoming September election campaign for the municipal parliament in Berlin, and have already contributed, along with other affairs, to a crisis of confidence, especially for the Linkspartei (Left Party), the minor partner in the nominally socialist Berlin administration: A strong minority has split off from the party and will run a separate slate in that election.

The Linkspartei has also split in Dresden, where 9 of 17 city council members of the party favor the sale of 48,000 city-owned (WOBA) apartments to the U.S. fund Fortress. The sale for 1.7 billion euros, which makes the fund the owner of the housing of 20% of the Dresden population, or 100,000 tenants, is the biggest to date in the German municipal housing sector, and it has raised an alarm throughout Germany. The Dresden administration was enticed into a scheme which enables it to immediately get rid of its public debt of 740 million euros, and keep another 980 million as "guaranteed" extra revenue, over the coming ten years. Dresden Mayor Ingolf Rossberg of the Liberal Party (FDP), who has been firmly committed to selling the WOBA to the Frankfurt-based German daughter firm of Fortress, continues to praise the "benefits" of the deal, without mentioning the main benefactor—the private creditor banks.

The Mieterbund, the national association of German tenants, has repeatedly protested the Dresden sale, as a dangerous precedent for a wave of such takeovers in Germany, for which, as the association's chairman, Franz Georg Rips, told this author, a war chest of 20 billion euros has been collected by the "locust funds." Rips harshly denounces the WOBA sale as a "sacrifice to financial greed," because the high price payed by Fortress for the purchase makes more than 100,000 Dresden citizens hostages of a fund that is interested only in aggressive revenue-growth.

The ominous role of the pro-sale faction in the Linkspartei provides new evidence of the "leftist" hoax which the LaRouche movement warned against, when the project of merging various left-wing groups and anti-globalization organizations like "Attac" with the Party of Democratic Socialism (PDS) began, two years ago. The anti-capitalist rhetoric of the new party's leading demagogues, which include former Social Democratic Party (SPD) chairman Oskar Lafontaine (a former German Finance Minister), contradicts the actions of the Linkspartei elected officials in German municipalities. Instead, their deeds correspond to the destructive role which they played, when they strongly intervened in the Monday Rally movement of the Summer of 2004, to suppress a broad public debate about non-monetarist economics, which the LaRouche movement was initiating, when it revived the Monday Rallies in Leipzig, in early July 2004. Similar rallies in more than 200 German cities, only four weeks later, showed that the time was ripe for a real change in policy: The role of the Linkspartei in selling off Germany's municipal housing shows that a pro-investment credit policy in the public sector which takes the financial straitjackets off the municipalities, a policy which the LaRouche movement is calling for, is as much on the agenda now, as it was in 2004. The next big battle over economic and credit policies will be the Berlin elections, and the LaRouche movement and the candidates of its political party in Germany, the Civil Rights Movement Solidarity (BüSo), will intervene there.

Bush's Budget Is Another War and Austerity Budget

by Carl Osgood

The scandal-ridden Cheney-Bush Administration sent up to Capitol Hill, on Feb. 6, another "guns, not butter" budget for Fiscal Year 2007. It targets dozens of social safety net and public health and safety programs for spending reductions and outright elimination, while increasing spending for Dick Cheney's perpetual wars in Iraq and Afghanistan, as well as the "security" functions of government, especially homeland security. It argues that the cuts proposed in mandatory programs, including Medicare and Medicaid, amounting to $65 billion over the next five years, are not enough, and the programs must be radically altered to prevent a "fiscal crisis." On top of all that, it offers yet another hand-out to Cheney's synarchist patrons in the form of massive tax cuts that mostly benefit the highest income brackets in America.

More telling are the five-year projections for discretionary programs, which, unlike past practice, were not published with the budget. According to a staff report produced by House Budget Committee Democrats, over the next five years the budget plan cuts non-defense discretionary programs by $183.1 billion below what is needed just to maintain constant purchasing power. Even veterans' health care, which received a boost of nearly $3 billion for 2007, though projected to increase slowly through 2011, will be more than $9 billion, or 13%, below the inflation-adjusted baseline, under the Bush Administration's plan. The defense budget, on the other hand, is projected to go over $500 billion by 2011, not including any future costs of Cheney's wars. Not surprisingly, the five-year projections were not published with the budget documents sent up to the Hill, but were provided to Congress separately by the Office of Management and Budget, probably to keep the numbers out of the public spotlight.

All of the cuts (see the tables below) are made in order to pay for making permanent the tax cuts passed in 2001 and 2003. The House Budget Committee Democrats' staff report notes that as a result of those tax cuts, "The current tax code favors unearned income, such as capital gains and inheritance income, relative to earned income, such as wages and salary." If these tax cuts are preserved, "this bias against employment income would be preserved." At the same time, the budget also proposes changes to the earned income tax credit (EITC) and the Child Tax Credit that would reduce the benefit of these credits to low-income families, by tightening the eligibility criteria.

In order to give its budget-cutting proposals "teeth," the budget proposes enforcement mechanisms that would give the Executive branch even more control over the power of the purse, a power which properly belongs to Congress, under the Constitution. It proposes an automatic reduction in the rate of Medicare growth anytime general-revenue funding of the program exceeds 45%. It proposes to set caps on discretionary budget authority from 2006 to 2011. Any legislation that exceeds the caps would result in an automatic sequester of non-exempt discretionary programs. It proposes to resurrect the line-item veto and link it to deficit reduction. The last line-item veto was overturned by the U.S. Supreme Court in 1998 as an unconstitutional violation of the separation of powers.

The Administration also proposes a joint budget resolution, which, requiring the President's signature, would make the budget a matter of law. A joint resolution "would bring the President into the process at an early stage, encourage the President and the Congress to reach an agreement on

overall fiscal policy before individual tax and spending bills are considered, and give the budget resolution the force of law," the budget document says. Under the current system, the budget resolution does not require the President's signature and Congress can override its provisions if it has the votes to do so.

The real fraud in this budget is its assumptions about the continuation of alleged "economic growth"; if, as is reasonable to expect, one or more of today's myriad speculative financial bubbles should burst, the economy will plunge into free fall, and the deficit will increase accordingly. The impending breakup of General Motors, as well as the "softening" of the real estate market, are but two indicators of where the economy is actually heading. Neither the Administration nor the Democratic opposition has shown a willingness to face this reality.

The Democrats can be expected to wage a spirited rearguard battle against the cuts in social spending, and on some of the tax cuts. The success of such efforts will depend on a willingness to address the larger question of an economic recovery program, which the Cheney-Bush budget would make impossible.

Guns, Not Butter

This report identifies a number of the programs to be reduced or eliminated in the Bush Administration's Fiscal 2007 report. Any program preceded by a dash is a subsumed part of the line item directly above it. The numbers are for total obligations for program activities, which, in some cases, do not expire at the end of the fiscal year.

TABLE 1
Department of Agriculture
($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Department budget (discretionary)	21,538	21,086	19,717
Agricultural Research Service	1,182	1,213	1,081
Cooperative Extension Service[1]	58	58	22
Animal and Plant Health Inspection Service	1,293	1,370	1,193
Food Safety and Inspection Service	914	951	881
Grain Inspection, Packers and Stockyards Administration	36	38	22
Rural Community Advancement Program[2]	849	777	601
Rural Housing Service[3]	56	76	41
Rental Assistance Program[3]	593	647	486
Rural Community Grants[4]	839	499	438
Food Stamp program[5]	35,060	40,746	37,970
Commodity Assistance Program[6]	198	206	89
Forest Service	1,516	1,603	1,486

Notes
1. Programs for water quality and food safety are proposed to be eliminated altogether.
2. Proposes to consolidate three programs that provide water and waste management loans and grants, community facilities, and business and industrial loans and grants.
3. The up-spike in these programs for 2006 is the result of emergency supplemental for 2005 hurricanes.
4. Grant program to help communities train firefighters and emergency personnel in rural areas.
5. $3 billion of FY2007 level is to be held in a contingency reserve fund in the event actual needs exceed budget estimate. Also, this appropriation is subject to workfare requirements.
6. Includes Commodity Supplemental Food Program, which the budget proposes to eliminate and the Emergency Food Assistance Program. The budget claims that CSFP duplicates WIC and the Food Stamp program, but Agriculture Secretary Mike Johanns was unable to answer questions put to him during a Feb. 15 hearing of the House Agriculture Appropriations Subcommittee, as to how many of 420,000 mostly elderly people using the CSFP are eligible for the other programs.

TABLE 2

Department of Education

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	56,998	58,840	56,830
Grants to local educational agencies[1]	14,831	14,611	16,470
School Improvement Programs[2]	5,620	5,311	4,973
Office of Innovation and Improvement[3]	1,107	950	865
Office of Safe and Drug Free Schools[4]	931	737	267
Special Education and Rehab Services	11,437	11,404	10,710
Vocational and Adult Education[5]	2,091	2,000	1,472
Postsecondary Education	2,116	1,953	1,110

Notes

1. Most of the increase in this category for 2007 is devoted to No Child Left Behind, including $1.5 billion in new funding for high school reform, which would apply NCLB to high schools, and $200 million to be directed entirely toward elementary schools that haven't met the NCLB goals.
2. Includes grant programs for improving teacher quality, educator professional development, foreign language assistance, state assessments, education for homeless children and youth, rural education, and others.
3. Fourteen programs under this account are to be eliminated in 2007.
4. Among the programs eliminated include state grants, alcohol abuse reduction, and civic education.
5. Some of the shortfall covered by 2006 advance appropriations.

TABLE 3

Department of Defense

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	400,081	410,825	439,302
(Supplementals)	78,830	120,000	50,000

TABLE 4

Department of Justice

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	20,450	20,971	19,451
National Drug Intelligence Center	235	252	144
Community Oriented Policing Services[1]	625	509	102
Juvenile Justice Programs[2]	369	373	176
State and Local Law Enforcement Assistance	1,226	1,873	(2)
Weed and Seed Program	68	61	(2)

Notes

1. This is the program creating during the Clinton Administration to help cities and towns hire 100,000 more police officers.
2. Most of the cuts in the DoJ budget appear to be in grant programs, some of which are currently managed by the Office of Justice Programs, but others are managed separately. The Juvenile Justice Program, State and Local Law enforcement Assistance, Weed and Seed, and Public Safety Officers Benefits programs are to be transferred to OJP and completely reorganized, making it impossible to tell just how much each of these programs are to be cut. Those cuts are substantial, however, as the budget proposes that OJP's programs are to get $1.1 billion, but State and Local Law Enforcement Assistance received $1.8 billion in 2006. "In 2007, OJP continues to support the President's Management Reform Agenda by streamlining its existing appropriation account structure and consolidating programs and administrative resources into a single decision unit entitled Justice Assistance," the budget says.

TABLE 5

Department of Housing and Urban Development

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	33,274	34,268	33,646
Public Housing Capital Fund[1]	2,555	2,439	2,178
Housing Opportunities for Persons With AIDS	286	309	300
Community Development Fund[2]	4,976	15,762	2,876
Housing for the Elderly	1,009	742	546
Housing for Persons With Disabilities	296	239	119

Notes

1. Program for responding to capital and management improvement needs for public housing.
2. The huge increase in 2005 is from funds appropriated for disaster relief. The budget proposes to consolidate the Community Development Block Grant and other set-asides with the Community Development Fund and the Self Help Ownership Opportunity Program. The consolidated program "would be designed with a bonus fund component, a new allocation formula to better target funds to needs and other reforms to achieve greater results and focus on communities most in need of assistance." As a result, a number of programs are disappearing, including Economic Development Initiative Grants, Brownfields Redevelopment, and Rural Housing, among others.

TABLE 6

Department of Labor

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	11,925	11,330	10,889
Trade Adjustment benefits	972	1,102	979
Benefits for Disabled Coal Miners	349	333	303
OSHA	467	495	486
Disability employment	47	28	20

TABLE 7

Department of Homeland Security

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	29,429	30,626	30,932
Emergency Management Performance grants[1]	3,372	2,715	2,457
—State Homeland Security grants	1,063	529	616
—Law Enforcement Terrorism Prevention	386	385	0
—State and Local Training Program	207	198	81
Firefighter Assistance Grants[2]	941	648	293
FEMA	3,084	2,731	3,093
—Readiness, Mitigation, Response, and Recovery	1,271	1,071	237
—Public health programs[3]	32	134	34
Customs and Border Protection	5,325	5,898	6,580
Immigration and Customs Enforcement	2,987	3,630	4,444
Transportation Security Admin.	5,719	5,870	6,223
U.S. Coast Guard	6,324	6,812	7,117

Notes

1. These are grant programs intended to improve ability of police, fire, emergency services to respond to a terrorist attack.
2. This grant program dates back to 1974 but, in the FY07 budget "The competitive, peer-review grant process will give priority to applications that enhance capabilities needed for terrorism response and other major incidents."
3. Supports the National Disaster Medical System.

TABLE 8

Department of Health and Human Services

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)[1]	67,780	67,439	68,278
Health Resources and Services[2]	6,908	6,701	6,447
Centers for Disease Control	4,985	6,450	6,387
Temporary Assistance to Needy families	17,226	17,050	17,050
LIHEAP[3]	2,162	2,181	2,782
Social Services Block Grant[4]	1,700	2,250	1,200
Children and Family Services[5]	9,036	9,003	8,269
Administration on Aging	1,400	1,371	1,339
Public Health and Social Services Emergency Fund[6]	3,487	4,779	574

Notes

1. FY2007 allocation includes $2.3 billion for influenza preparedness.
2. Two of the programs hit hardest in FY2007 include: Universal Newborn Hearing Screening gets zeroed out, having received $10 million in 2006; Children's Hospitals Graduate Medical Education (GME), goes to $99 million, after getting $297 million in 2006. Budget is proposing reform that "will focus payments on those hospitals with the greatest financial need that treat the largest number of uninsured patients and train the greatest number of physicians."
3. $1 billion of the FY07 is mandatory funding that could be moved to FY06 by the Congress. However, that $1 billion is FY2007 only. OMB's five-year projection shows the program declining to about $1.7 billion in 2011.
4. $550 million of the 2006 appropriation from emergency supplemental for 2005 hurricanes.
5. Reduction on FY07 appropriation comes from elimination of community services programs, which the budget says are low performing or duplicating other Federal programs.
6. This is the bioterrorism response program.

TABLE 9

Department of State

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	29,808	30,182	33,859
Andean Counterdrug Initiative	828	727	695
USAID			
—Development Assistance	1,390	1,524	1,282
—Child Survival and Health Programs	1,622	1,644	1,433
—Assistance for East Europe and Baltic States	333	361	274
—Assistance to Independent States of the Former Soviet Union	546	514	441
—International Disaster and Famine Assistance	823	417	349

TABLE 10

Commerce Department

($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	6,333	6,375	6,139
NOAA (General and special funds)	3,131	3,169	2,940
(Procurement)	1,085	1,205	1,025

TABLE 11
Corps of Engineers Civil Works
($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	4,678	5,329	4,733
Construction Program	2,391	2,617	1,809
—Locks and Dams	153	208	129
Operations and Maintenance	1,617	1,396	1,339
—Channels and Harbors	137	124	95
—Locks and Dams	410	410	350
—Reservoirs	378	328	330
Flood Control (Lower Mississippi)	348	402	278

TABLE 12
Department of Transportation
($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	59,778	61,842	63,637
FAA	14,089	14,328	13,774
Grants in Aid for Airports	3,672	3,515	2,750
Facilities and Equipment[1]	2,663	2,697	2,659
Research, Engineering and Development[1]	130	159	146
Federal Highway Programs	34,152	35,571	39,083
Amtrak[2]	1,207	1,284	900
Next Generation High Speed Rail	15	18	0

Notes
1. Funded by Airport and Airway Trust Fund.
2. Amtrak's operating subsidy is to be divided into two accounts: $500 million for capital requirements and $400 million for operating expenses contingent on efficiency gains.

TABLE 13
Department of Veterans Affairs
($ Millions)

Program	FY2005 (Actual)	FY2006 (Estimated)	FY2007 (Estimated)
Total Dept. budget (discretionary)	30,374	32,595	34,632
Medical Services	23,107	25,493	28,424
Medical and Prosthetic Research	469	473	454

Note
Other than medical and prosthetic research, most line items in the VA health budget get increases. The unanswered question is whether those increases are sufficient to meet the growing needs of World War II veterans (especially for nursing home care) and Iraq and Afghanistan veterans. The budget also proposes $250 enrollment fee and $15 prescription drug co-pay for category 7 and 8 veterans, which is projected to bring in $795 million, but also reduce the number of veterans expected to enroll in the VA health care system by about 200,000. This same proposal was rejected by the Congress, last year, and is expected to be rejected again this year. Nonetheless, this $795 million plus $1 billion resulting from supposed new management efficiencies are included in the budget. A GAO report requested by Rep. Lane Evans (D-Ill.), the ranking Democrat on the House Veterans Affairs Committee, questions whether such management efficiencies even exist.

Bush's Katrina Fiasco: Is the U.S.A. Ready for 2006 Hurricane Season?

by Mary Jane Freeman

Hurricane Katrina hit the U.S. Gulf Coast states in the early morning hours of Aug. 29, 2005. Now, investigative documents, tapes, and reports released by U.S. Senate and House committees reveal the extreme negligence of the Bush-Cheney Administration in any effort to mobilize assets to save lives. The President and his key homeland security advisors *knew* the dangers of the unfolding storm *before* it struck. A government videotape leaked to the press on March 1 speaks volumes:

At noon on Aug. 28—hours before Katrina hit the Gulf Coast—National Hurricane Center director Max Mayfield told President Bush and other officials: "This is . . . a very dangerous hurricane. . . . Right now, this is a Category 5 hurricane. . . . The wisest thing to do is plan on a Category 5 hurricane. . . . [It is] so large, it's going . . . to impact . . . a very, very large area. . . . The greatest potential for large loss of life is in the coastal areas from the storm surge." Mayfield spoke of his "very grave concern" for the New Orleans levees, and concluded, it is "absolutely clear" if it hits the Gulf Coast, "there will be large loss of life."

Moments later, Bush from his Crawford ranch, where he was vacationing, is seen on the video saying, "I appreciate . . . the warnings that Max and his team have given to the good folks in Louisiana, Mississippi, and Alabama." Bush adds, "We are fully prepared," and says that he will "move in whatever resources and assets" are needed.

Incredibly, four days later, on Sept. 1, Bush, on his first trip to the Gulf after the storm, said, "I don't think anyone anticipated the breach of the levees," as thousands of people stranded in the New Orleans Superdome lacked power, water, food, and medical supplies. Not only were Bush, Homeland Security Secretary Michael Chertoff, and others briefed on Aug. 28 on the danger to the levees, but the reality was all levels of government—local, state, and Federal—had known for years that a severe hurricane in New Orleans was considered one of the nation's top potential disaster threats.

Over the next critical hours and days, the inertia of a ten-ton bureaucratic octopus, the Department of Homeland Security (DHS), took over. Life-saving requisitions of military aid, communications links, ice, water, medical personnel and supplies, and transport vehicles got bogged down in "business as usual" procedures. Likewise, the White House Homeland Security Council (HSC), designated by Vice President Dick Cheney's office to coordinate Katrina response policy, was "plagued" by "a failure of initiative," the House Select Committee on Katrina's Feb. 15 report charges. The Federal Emergency Management Agency (FEMA), the core agency mandated by law to respond to natural disasters, had become dysfunctional and downsized, as it was folded into DHS. Cheney, earlier, had redirected FEMA's mission to terrorism, cutting funding for disaster training and mitigation programs.

Bush and Cheney were on vacation and their attention was on the Abu Ghraib scandal and powerful Republicans who were moving to curb their torture policy with amendments to the Defense funding bill. So as events unfolded, their attention elsewhere, no command decision by the President or Chertoff to "move whatever" was needed, was issued. The result, as Lyndon LaRouche charged on Sept. 3, 2005, was that a "controllable, but severe, natural catastrophe" had become "a man-made catastrophe, " a "*human* catastrophe."

More than 1,300 people died, 2,300 people remain missing, 1.5 million people were displaced, over half a million homes destroyed, the economies of Mississippi and Louisiana decimated, and one of America's oldest cities, New Orleans, was inundated with storm waters for months, in the nation's worst natural disaster.

Deadly Levee Breach

Any breach of the New Orleans levees would be deadly, and this was known. Yet both Bush and Chertoff, post-storm, put up an "I had no idea" defense. A review of other Senate and House investigative records reveals a flurry of situational reports flowed into the White House's HSC, to Cheney's top aides, and DHS's and FEMA's emergency command centers before, during, and after the storm. An Aug. 28 DHS National Infrastructure Center memo warned that Katrina would lead to "severe flooding and/or levee breaching," causing New Orleans to be "submerged for weeks or months."

By 8:14 a.m. Aug. 29, a "levee breach" at "the Industrial Canal," was reported by the New Orleans National Weather Service office. Scores more alerts came in that day, of massive

U.S. Coast Guard/Kyle Niemi

New Orleans on Aug. 29, 2005, after the levees broke. Bush and Chertoff claimed not to have been warned of the impending disaster—but they were, abundantly.

flooding, floating bodies, lost electricity, patients on life support at flooded hospitals being kept alive by hand, and more. Yet Bush made his Sept. 1 quip, and Chertoff testified that he didn't learn of the levee breaches until 7:00 a.m. Aug. 30, and even when he did, he flew to Atlanta to attend a meeting on avian flu!

The failures of leadership from the White House, to DHS, to FEMA were "colossal," Sen. Hillary Clinton (D-N.Y.) asserted in mid-February, as release of committee investigations began. The Katrina failures, Clinton noted, show "that our response capabilities are no better now than they were on 9/11." DHS's utter failure to protect American lives in the face of "advance warning" made the Republican-dominated House Select committee comment, "If this is what happens when we have advance warning, we shudder to imagine the consequences when we do not," referring to a potential terror attack.

Rebuilding Stymied by the 'Free Market'

The Bush Administration's response negligence is cruelly compounded by Bush's unfulfilled promise to launch the greatest rebuilding ever seen. Bipartisan initiatives to aid rebuilding were rejected by Bush, budget-cutting Republicans, and the President's Gulf Coast coordinator, Donald Powell, a Texas banker and deep-pocket supporter of Bush. A "free market" fanatic, Powell was explicit in a recent op-ed: "the heavy hand of government impedes the private sector's proven ability to speed recovery. . . ."

The private sector, contracted by FEMA to provide trailers as temporary housing, has failed miserably; and Cheney's office was alerted on Sept. 9, 2005 that it would. Cheney's now-indicted former top aide I. Lewis "Scooter" Libby, was e-mailed: "Scooter: . . . The trailer idea is worse than originally thought. [Data shows] trailers [being bought now won't] come off the production line" for "3.5 years," the House Feb. 15 report shows. Tens of thousands of people still await trailers, even as 10,000 trailers sit rotting and unused in Hope, Ark. Sen. Mary Landrieu (D-La.) blasted this situation: "It would be ludicrous after the Second World War" to say "the answer to rebuild Europe is to deliver trailers to bombed-out home sites. . . . We're looking at a war zone."

Rep. Richard Baker (R-La.), a 10-term conservative lawmaker and chair of the House Finance Committee, put forth a Katrina housing bill which passed in committee, 50-9, in December 2005. Powell rejected it. Sen. Ted Kennedy (D-Mass.) had a bill to set up a Gulf Coast Regional Reconstruction Authority—similar to President Franklin Roosevelt's Tennessee Valley Authority. It was sidelined. Even on the urgent task of rebuilding the levees, Powell asserts that no system can be designed to "compete with Mother Nature," so he opposes spending to upgrade the levees to Category 5 hurricane strength.

To date, Congress has approved about $68 billion in disaster aid. Representative Baker and many others point out that none of it has gone to housing. Roughly $36.6 billion of those funds went to FEMA's disaster relief fund to pay for costs associated with the response phase of operations. Bush, now on the hot seat for his failures, has asked Congress for $19 billion in emergency supplemental funds for housing and the levees, among other items.

But Bush's true intention is seen in his 2007 budget (see previous article). Sen. David Vitter (R-La.) criticized the 34% cut to the Army Corps' construction budget, saying, "These sorts of cuts in the past are what led to cutting corners. And that led to catastrophic flooding in New Orleans." Cuts to food and health insurance programs that benefit hurricane victims, and a 30% cut to the Community Development Block Grants, crucial to housing rebuilding, were blasted by Rep. William Jefferson (D-La.). Senators Susan Collins (R-Me.) and Joe Lieberman (D-Conn.) scored the Bush cuts to the Coast Guard and first responders as "incomprehensible" and "risky."

The 2006 hurricane season begins officially on June 1. These Katrina revelations of Bush's failed response before and after the nation's worst natural disaster, pose the question: Will the needed personnel, organizational, and funding changes be made soon enough to protect citizens this time? Mayfield has already said that this hurricane season could be as bad as or worse than 2005.

Incremental spending for this or that crisis leaves hundreds of thousands of citizens without the means to return, to rebuild, and to re-establish their livelihoods. LaRouche's "How To Capitalize a Recovery," approach to create a Federal capital fund for long term investment (*EIR,* Jan. 27, 2006), is required if we are to launch a great rebuilding effort.

Congressional Closeup by Carl Osgood

Bush Sends Line-Item Veto Plan to Capitol Hill

President Bush finally sent his line-item veto proposal up to Capitol Hill on March 6, after initially proposing it in his State of the Union speech, and in his Fiscal 2007 budget submission. In remarks at the White House that morning, Bush claimed that his specific proposal will meet "Supreme Court standards," because it will send the President's proposed item vetoes back to the Congress for an up-or-down vote. "By passing this version of the line item veto," he said, "the Administration will work with the Congress to reduce wasteful spending, reduce the budget deficit, and ensure that taxpayer dollars are spent wisely."

The last line-item veto, passed by Congress in 1996, was declared unconstitutional by the Supreme Court in 1998, on the grounds that it violated the "presentment" clause of the Constitution. That clause, in Article I, requires that the President can only accept or reject a bill in whole, whereas the line item veto allows him to cancel a part of a bill after it becomes law. Office of Management and Budget director Josh Bolton explained to reporters, after Bush's remarks, that, under the new proposal, Congress "still needs to adopt legislation that would rescind the previously enacted spending."

Republicans generally welcomed the proposal, putting it into the context of the current environment for reform. "We realize that we reform or perish as a majority," Rep. Paul Ryan (R-Wisc.) reportedly said. Others see it as a way of addressing the problem of "earmarks," a hot topic in the debate over ethics reform. On the Democratic side, Sen. John Kerry (D-Mass.) endorsed it as being nearly identical to one he proposed during the 2004 Presidential campaign, but the two caucus leaders both denounced it. House Minority Leader Nancy Pelosi (D-Calif.) demanded, instead, that the Bush Administration should submit balanced budgets, and return to the pay-as-you-go rule. Pelosi's counterpart in the Senate, Sen. Harry Reid (D-Nev.), called it "old hat," and expressed skepticism that it would meet Constitutional muster.

Republicans Ganging Up Against Bush Ports Deal

In what the Associated Press called "an election year repudiation of Bush" by his own party, the House Appropriations Committee voted, on March 8, 62 to 2, to block Dubai Ports World from taking control of some U.S. port operations. Republican House leaders moved to block the Dubai Ports deal through an amendment inserted into a supplemental spending bill for the Iraq War and hurricane recovery. Bush has said he would veto any legislation to derail the deal.

At the same time, Congressmen and Senators are introducing legislation to permanently cure the insanity that led to the sale of port operations to Dubai. Most significant is that by Duncan Hunter (R-Calif.).

Hunter's HR 4881, the National Defense Critical Infrastructure Protection Act of 2006, is the only bill that extends restrictions on foreign ownership to more than ports. It has been referred to the Committees on Financial Services, Armed Services, Energy and Commerce, International Relations, and Homeland Security.

It requires the Secretary of Defense, in consultation with the Secretary of Homeland Security, to prepare a list of infrastructure critical to national defense. (Hunter has mentioned ports, highways, and power plants.) The law would require that for a company to own, manage, or operate critical infrastructure, the majority of its board of directors must be U.S. citizens; a majority of the voting and non-voting shares must be owned by U.S. citizens; more than half of the board members must be approved by the Secretary of Defense; and the board must have a government security committee, all of whose members are approved. The Secretary of Defense must be notified of acquisition of ownership of 5% or more by a foreign person, and acquisition of corporate ownership of 10% of more by any foreign interest. The bill also amends sections of the 1950 Defense Production Act.

Senate Republicans Split on LIHEAP

On March 7, the Senate passed, on a voice vote, a bill to make available $1 billion for the Low Income Home Energy Assistance Program that had originally been authorized for Fiscal Year 2007. However, that easy passage was preceded by an acrimonious debate among Republicans over allocation formulas and budget issues. The bill had been sponsored by Sen. Olympia Snowe (R-Me.), and six others from cold-weather, northern and northeast states, all Republicans. Snowe overcame obstruction by conservatives opposed to the extra spending by blocking action on a flood insurance reform bill, but her bill was also criticized for allegedly favoring cold weather states over southern states.

Snowe aggressively fought back on the floor of the Senate, charging that her critics were circulating misleading information about the bill. She noted that the budget reconciliation bill, passed one month earlier, mandated that $250 million would be allocated

through formula funding, and the remainder as contingency funding, and her bill made no change to that. Sen. Jon Kyl (R-Ariz.) offered an amendment to make all $1 billion subject to formula distribution, but Snowe countered with a second degree amendment splitting the money 50-50, which passed on a 68 to 31 roll call vote. Before all that could happen, however, the bill had to secure cloture, which it did by a vote of 75 to 25.

Senate Democrats Propose Contractor Oversight Law

On March 2, Senate Democrats announced they would be introducing legislation to curb contractor abuses, such as those associated with Halliburton and the Iraq War, which follows a lobbying and ethics reform bill the Democrats introduced in January. Senate Minority Leader Harry Reid (D-Nev.) reported that investigations led by Senate Democratic Policy Committee chairman Byron Dorgan (D-N.D.) have shown that the cost to the taxpayer of such abuses is significant, but "there are costs other than those and that's costs to our national security. . . ." He said, "We're less safe when no-bid contracts for Halliburton come before body armor for our troops. We're less safe when Federal officials are more interested in landing top lobbying jobs than working on their current responsibilities." The new bill, Reid said, "puts an end to these abuses."

According to Dorgan's description, the bill authored by Sen. Patrick Leahy (D-Vt.) would punish war profiteers. It would also prohibit awarding federal contracts to companies that exhibited a pattern of overcharging, and would prohibit the awarding of large, sole-source, no-bid contracts. It also bars the outsourcing of contract oversight. Finally, it would require that nominees be qualified for the jobs they have been picked for, and it would strengthen whistleblower protections. The bill, Dorgan said, "deals with accountability in contracting" and "will shut down this waste, fraud, and abuse."

House Democrats Call for Probe of Katrina Spending

The leadership of the House Democratic Caucus emerged from its weekly caucus meeting on March 8, demanding accountability for the billions of dollars that have been spent in the name of Hurricane Katrina relief, with little apparent benefit for the storm's victims. The leadership has sent a letter to Comptroller General David Walker, the head of the Government Accountability Office, requesting that the GAO conduct an investigation of the efficiency of government contracting for the recovery effort and to examine how the Bush Administration made the same mistakes in Katrina contracting as those uncovered in Iraq contracting. The letter follows on the heals of a 34-member Congressional delegation, led by House Speaker Dennis Hastert (R-Ill.) and Minority Leader Nancy Pelosi (D-Calif.), to the Gulf Coast region devastated by last August's hurricane.

Pelosi told reporters after the caucus meeting that what the delegation saw in Louisiana and Mississippi "challenges the conscience of our nation, and challenges the conscience of Congress to meet that challenge." She noted that "We're talking about a huge part of our country where we haven't met the needs of the people." She added that "There has to be a federal intervention so that people are protected before the next hurricane hits . . . so that people have confidence that they can do what they want to do which is go home."

Patriot Act Renewal Sent To Bush for His Signature

The Senate voted 95 to 4 on March 1 in favor of legislation making changes to the Patriot Act renewal legislation. A day earlier, the Senate overcame a filibuster by Sen. Russ Feingold (D-Wisc.) by a vote of 84 to 15. Feingold, along with Senators Robert Byrd (D-W.Va.), Tom Harkin (D-Ia.) and Jim Jeffords (I-Vt.), voted against passage. The House followed suit on March 7, voting 280 to 138 to pass the bill under suspension of the rules.

The final House and Senate action was necessitated by a filibuster, last December, in which four Republicans joined with almost all of the Democrats in blocking the bill in the Senate. The four Republicans, Larry Craig (Id.), John Sununu (N.H.), Lisa Murkowski (Ak.), and Chuck Hagel (Neb.) made a deal with the White House in February on changes allowing individuals who receive orders under the Foreign Intelligence Surveillance Act to challenge nondisclosure requirements, not requiring individuals who receive national security letters to disclose the name of their attorney, and exempting libraries from blanket information demands. Feingold declared these changes "cosmetic," at best. Byrd warned that even with these changes "the law has given the government too much power to pry. . . . This new proposal would erase too many of our freedoms guaranteed to the American people. . . . In essence, this legislation says the Bill of Rights is no more."

Editorial

An Emergency Infrastructure Plan Now!

It was nearly four years ago, in the Fall of 2002, that Lyndon LaRouche issued a plan for a crash program of national infrastructure building. Packaged under the concept of a "Super-TVA," LaRouche's proposal called for emergency Federal credit issuance, to be directed into huge infrastructure projects in the areas of transportation, power, and waterways, as the indispensable prerequisite for putting the U.S., and world, economy back on track, into recovery.

It's taken a lot of time, but there serious discussion of this perspective has finally begun. Notable are the recent plans put forward by Congressman Dennis Kucinich (D-Ohio), for a national infrastructure bank, and by Sen. Hillary Clinton (D-N.Y.), for a national commission to discuss action on critical national infrastructure. While one could identify flaws in both of these proposals, they are both important steps toward facing the crucial topic which must be at the center of the U.S. political debate.

Nothing conveys the emergency quality of what must be done, however, as well as the crisis in the auto industry, which is currently being set up to be dismembered. Carried out correctly, emergency action to save the auto sector could be the pivot for implementing the full national infrastructure program which is required. A memorandum issued by Lyndon LaRouche on March 9 outlines the specifics of how that could be accomplished:

"By Act of Congress, the Automobile Manufacturing Industry, as broadly so defined, is taken under the temporary protection of the Federal Government of the U.S.A., as a matter of most crucial strategic significance for enabling the resurrection and further development of the national economy of the U.S.A., as a measure deemed essential to the general welfare of the nation for its present population and posterity. The included economic and social requirement is that the productive capacity so preserved must be maintained in those states and local communities in which the automotive industry and its principal suppliers have been situated during the recent decade and a half.

"The qualitative upgrading of the technologies used in the design of automobiles and related products, will be a continuing, included feature. A targeted level of one-quarter to one-third of present levels of manufacture by U.S. enterprises operating under this temporary protection will continue to produce for the auto industry. The remainder of the capacity of the industry and its principal supporting elements should be devoted to a functionally integrated development of the national space-exploration and development initiative, as associated with NASA, and with missions centered in, and compatible with the function of power, mass transportation. and related matters of national, regional, and local infrastructure.

"It should be the intention of such prime legislation, that the concentration of Federally created credit, as capital of investment, in this large, and rapidly expanding section of the national economy as a whole, shall be an economic driver for many leading sectors of the economy. The impact of this must be a reversal of the preceding decline of the U.S. economy from an agro-industrial power, to a so-called, 'cheap-labor'-based 'services economy.'

"These combined intentions, must envisage the restoration of the Hamiltonian conception of national economic development, a shift accomplished by the establishment of a well-defined capital budget, as distinct from an annual operating budget, of the Federal Government. Federally created lines of medium- to long-term credit for capital improvements in matters of national economic and related strategic importance, should be made either directly by Act of Congress, or controlled through a special lending authority created by Act of Congress. The private banks would be encouraged to participate in approved loans to private enterprises for this purpose.

"In the course of time, the effects of this program must be sorted out, such that either some elements are retained as instruments of government ownership and operation, or established as enterprises operating within the private sector."

Sound impossible? FDR did it through his Reconstruction Finance Corporation, as we elaborate in this issue. If Congress gets its act together, and listens to LaRouche, it can be done again.

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  Wed: 5:05 pm
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  Sat: 9 am
  Wed, 3/1 8 pm
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  Sat: 9 am
  Wed, 3/1 8 pm

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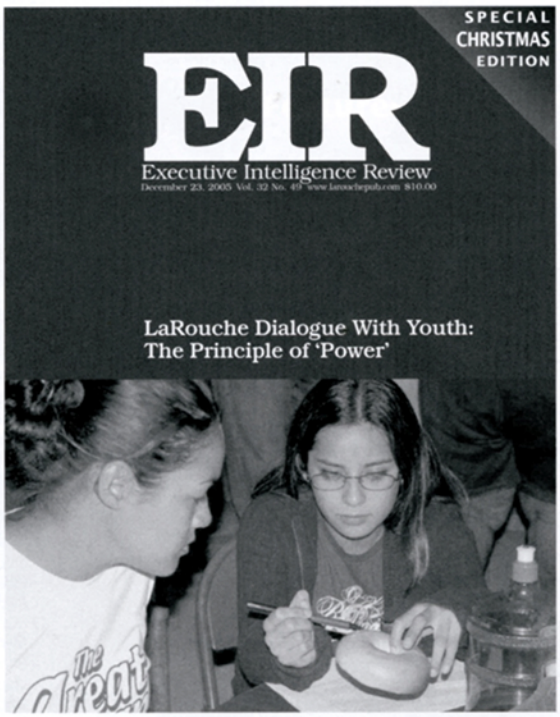

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