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## From the Associate Editor

Our last issue of 2005 is oriented toward Lyndon LaRouche's webcast on Jan. 11, 2006, titled "Rebuild a Looted Economy." He will address a Washington audience, and the event will be broadcast live at [www.larouchepac.com](http://www.larouchepac.com), starting at 1:00 p.m. Eastern Time.

This is an especially crucial intervention. Though the Congress is out of session, it is essential that the political momentum that is now building, for a shift to a Franklin Roosevelt-style economic policy and an end to the Cheney "Imperial Presidency," gather steam in the first weeks of the new year.

Our cover photo captures the spirit of what is required. The World War II generation remembers well, how the nation's auto factories were quickly retooled to produce military matériel, unleashing the greatest productive potential the world had ever seen. It was this American superiority in logistics that made victory over fascism possible, under FDR's inspired leadership. Today, the auto plants are closing, and skilled engineers, machine-tool operators, and others are joining the unemployment lines. As our *Feature* shows, the answer is not to find some way to build a car cheaper than the Japanese; the answer is to convert the industry to produce the vital infrastructure needed to rebuild the decrepit physical economy of the nation. Just start with the ravaged Gulf Coast states, for an idea of what the priorities are. And mass production of inherently safe and efficient nuclear power plants will be essential for the economy of the 21st Century.

In *National*, we provide an exciting battle-report on the drive to oust Cheney. For the first time, the word "impeachment" is in the air in Washington, and the *New York Times* editorial of Dec. 23, "Mr. Cheney's Imperial Presidency," makes clear that a powerful faction of the New York establishment grasps what *EIR* has long insisted: The problem is not Bush, the patsy; the problem is Cheney. Our *Documentation* shows how Congressmen and Senators are taking on the challenge posed by the leak of National Security Agency spying on American citizens. There is no equivocation here, as leaders of both parties recognize how mortal a threat this represents to our republican form of government.

We wish our readers a happy New Year, looking forward to participating with you in seeing these battles through to victory.

*Susan Welsh*

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*Production of B-24E bombers at Ford Motor Co.'s reconverted Willow Run factory during World War II.*



Howard R. Hollem, National Archives

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*"Impeach, impeachment, and impeachable* are words now back in prominent usage, as the result of the antics of Dick Cheney and his patsy, George W. Bush," Lyndon LaRouche commented on Dec. 22, in reference to the firestorm of reactions to the Vice President's assertion that there are no Constitutional limits on the power of the U.S. Presidency.

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## Editorial

### 64 We Can Create a U.S. Recovery

# Auto Reconversion Can Lead the Way To U.S. Recovery

by EIR Staff

In Spring 2005, economist/statesman Lyndon LaRouche publicly warned the U.S. Senate to prepare now to avoid the consequences of the forthcoming likely bankruptcy of General Motors Corporation. Not only the losses of jobs and homes, and effective bankruptcies of cities and counties, even states; worse, without the machine-tool design capability centered in the automotive (and aerospace) industry, the United States will be condemned to virtual “Third World” status for at least a generation. This, amidst a world depression crisis which, like that of the 1930s, cannot be mastered except with the help of American world leadership.

Instead, LaRouche proposed that the Senate prepare to handle the automotive crisis through arrangements for “strategic bankruptcy,” under which the Federal government would assert the overriding vital national interest that the automotive labor force and plant continue to be employed in place, especially its critical machine-tool sector, through which highly skilled labor creates employment for hundreds of times their numbers of skilled, semi-skilled, and unskilled labor.

Let us face the fact that demand for private automobiles will not grow to absorb the industry’s full productive capacity at any time in the near future, LaRouche said. As during the period of the pre-war buildup and World War II, so today there are urgent, unpostponable national missions—now peacetime missions—for which the capabilities unique to our automotive industry are irreplaceable. Back then, the industry converted at breakneck speed to produce planes, tanks, and guns, at rates never before imagined, in place of automobiles. Today, our urgent mission is on the terrain of public, or publicly regulated infrastructure.

### **Time To End Illusions**

Unfortunately, the U.S. Senate failed to respond to this question last Spring, under the comfortable illusion that a bankruptcy of General Motors was unthinkable. Others did respond, though, including mayors and other local government officials, and United Autoworkers locals, some of which brought several hundred



Korea Hydro & Nuclear Power Co., Ltd.

*The Yongwang nuclear power complex in South Korea: An example of the large-scale nuclear facilities that are vital in the 21st Century, and which American auto plants could be retooled to produce.*

of their union members to lobby Congress with the LaRouche Youth Movement on Dec. 17. And key handfuls of autoworkers in several states are in discussion with *EIR* about the nitty-gritty of forthcoming reconversion.

Now, of course, with the onset of Winter, everything looks different. Not only is a General Motors bankruptcy no longer unthinkable; it is being discussed daily in the trade and business press, and is widely advocated by certain predatory financier representatives as a means of foisting the industry's losses onto the backs of workers, retirees, and their families and neighbors.

More immediately, House Minority Leader Nancy Pelosi's (D-Calif.) Harvard speech of Dec. 2 (see *EIR*, Dec. 16), pledging the party to the banner of John Kennedy's Apollo Moon-landing program and New Frontier, proves that both the House and Senate Democrats are now positioned to approach the crisis in the spirit of Franklin D. Roosevelt and Kennedy.

In a memorandum further specifying how to deal with this crisis, which we append below, LaRouche explains the approach required to bringing the U.S. economy back up above breakeven, and into an actual recovery. To a large degree, this drive will be led by a retooling of auto and machine-tool capacity for large infrastructure projects, especially nuclear and rail.

## Nuclear and Rail

We include in this section a stimulating and deservedly optimistic foretaste, by Marsha Freeman, of the sorts of advances which will be required to provide massive, safe, cheap,

nuclear energy to an energy-starved United States and for "Third World" development. After pulling together the plans for modernization from within the nuclear industry and related government agencies, Marsha proceeds, for the benefit of our collaborators in and around the automotive industry, to list some hundreds of components of every nuclear plant, which are likely candidates for true mass production in recon-verted parts of the auto sector.

It should be understood that the key physical bottleneck which will immediately hinder the revival of the steel-based industrial economy centered in the U.S. Midwest, is lack of cheap, fast, and reliable rail transport. Earlier this year, Richard Freeman and Hal Cooper published a study on the requirements for upgrade of the heart of the U.S. rail system, in two phases, to electrified high-speed rail moving freight at about 100 mph, and then later to magnetically levitated rail, at upwards of 300 mph (*EIR*, June 10, 2005). They charted first the double-tracking and electrification of 26,000 route-miles, and then onwards to a total of 42,000 route-miles, the heart of the network, which carry 65% of our freight and 70% of our intercity passengers, although constituting only 29% of our total rail mileage.

The chart on page 14 shows estimated bill-of-materials requirements for 5,000 miles of rail lines radiating from Chicago through the industrial Midwest, and then extends the results to the full 42,000 miles of the upgrade (not shown). Our special interest here, again, is the role of the machine-tool design factor of today's auto industry, in permitting mass production of large parts of these infrastructural requirements. For the most part, this has never been attempted before.

# Travel Among Cities

by Lyndon H. LaRouche, Jr.

*This memo was issued by LaRouche on Dec. 15, 2005 to the EIR staff, as a guide to producing the animations required. When completed, these will be posted at [www.larouche-pub.com/animations](http://www.larouche-pub.com/animations). For present purposes, the editors provide a selection of relevant graphics.*

Among the notable accomplishments of President John Quincy Adams, during his term as U.S. Secretary of State under President James Monroe, was his contribution to the elaboration of the future geography of our continental nation, as situated between the Atlantic and Pacific oceans, and our Canada and Mexico borders.

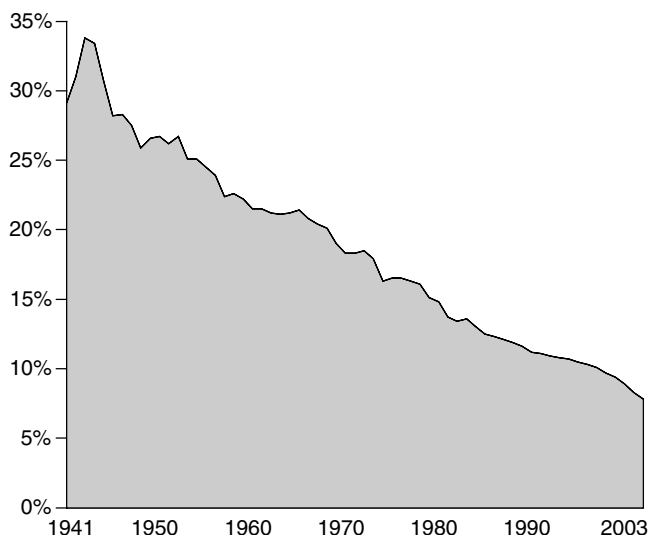
**Animation:** An animated series of maps of the emergence of the development and decadence of the U.S.A., from the Virginia and Massachusetts colonization, through A.) The “Original 13,” and the incremental increase of the territory of the U.S.A., by date of acquisitions, to include Hawaii and Alaska. Identify date of inclusion of territory, and then of status as a Federal state. B.) Show rivers, notable lakes, and mountain-ranges within that expanding territory. C.) The establishment of cities and major towns within that territory. D.) Show principal highways, coastal waterways, navigable portions of canals, rivers, and lakes. E.) Show railways to 1946. F.) Show notable air travel routes and airports to present. Show principal airlines by name since the Versailles Treaty. G.) Show links among public rail, air, and water transport. H.) Show collapse of agriculture and industry since 1967-1981.

Now, since the 1968-1972 destruction of the Bretton Woods System, and the destruction of the U.S. economy under the impact of National Security Advisor Zbigniew Brzezinski’s raving pandemic of deregulation, the long wave of progress, from the first inauguration of President Franklin Roosevelt, until the folly of the 1964 launching of the U.S. war in Indo-China, has been replaced by four decades of decline. Matters have reached the point, that we are far worse off, as measured in relative loss of active productive potential, as a national economy today, than we were after four years under President Hoover in March 1933.

Many citizens, most of whom have been outrageously misinformed of the facts of real economics, after the impact

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FIGURE 1  
**U.S. Manufacturing Production Workers  
As a Percentage of Total Labor Force**  
(Percent)



Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. National Center for Health Statistics; U.S. National Center for Education Statistics; U.S. Department of Commerce; *EIR*.

of four decades under a shift from a productive to a so-called “services economy,” would object to my insistence that we have been in economic decay since the mid-1960s. Yet, even so, after reconsidering seriously the hard physical realities of today, no sane person could still disagree with the following description of the recent four decades.

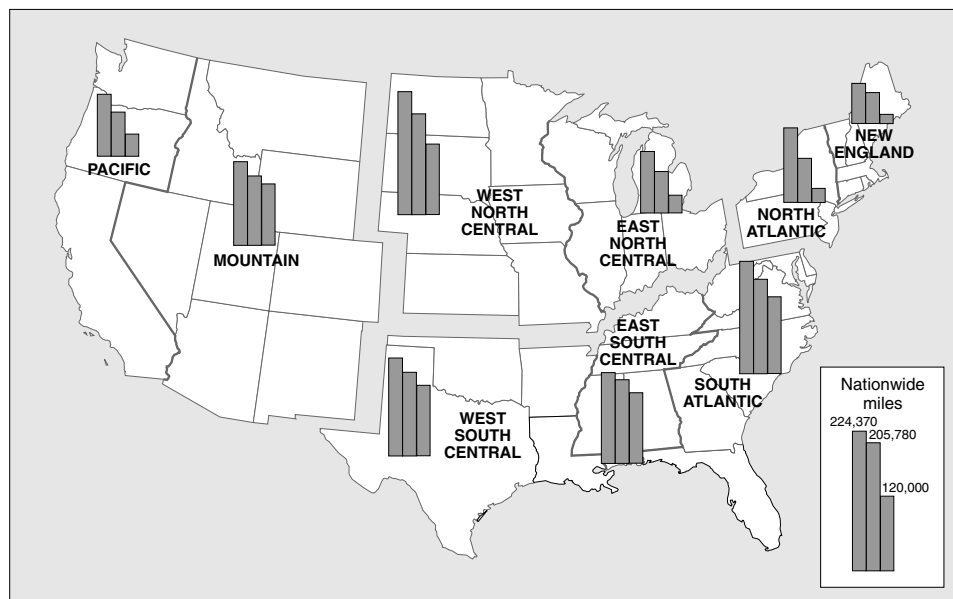
The present downturn in the U.S. economy, in particular, began, during the late 1960s, as a slowing-down of the net rate of continuing investment in the long wave of scientific-technological progress over the post-1945 decades. The included result of this has been a systematic destruction of those features of the functional organization of our national territory upon which the earlier functional integrity of our national territory had depended.

This point is best illustrated by the following, computer-animated overview of the U.S. rail and connections among the nation’s principal cities or comparable markets, over the interval since the first railway locomotive’s deployment through the end of the 1920s, and the rail-air connections among those referenced centers since the first regular airlines services were introduced. Then, examine the case for combined waterway, rail, and air mass-transport among cities or functionally comparable other centers over the entire period since the founding of the Massachusetts Bay Colony. You should compare what I present in this report, with the Eighteenth-Century highway and waterway connections viewed

FIGURE 2

**Railroad-Track Mileage, 1950, 1970, and 2000, by Region**

(Miles of Track)



Source: U.S. Department of Transportation.

from the standpoint of the argument presented in Treasury Secretary Alexander Hamilton's *Report to the Congress on the Subject of Manufactures* (animations as just prescribed).

Take the following example (map illustration). Construct a German (maglev) form of high-speed, magnetic levitation route, the same model now operating from Shanghai to its airport, from South Station in Boston, Massachusetts, to Union Station, Washington, D.C., with brief stops at Pennsylvania Station, New York, Philadelphia, and Baltimore, with high-speed rail or magnetic track to the principal airports in each case.

The principles of transportation policy illustrated by that pilot program, are as follows:

1. Once we introduce standard magnetic levitation speeds (circa 300 mph) between downtown terminals in the principal cities of a route-connection among them, we reduce the reliance on economically inefficient inter-city air commuting along such routes in obvious ways.

The intention for all major passenger traffic routes across the continental U.S. territory: maglev-oriented high-speed ground traffic for high-volume dense routes, with a 10-15 minute link to the relevant airport.

2. The Boston-to-Washington maglev-based run is proposed to prompt the development of the national production-capabilities, capacities, and construction standards and qualified production-capabilities, for the development of a nationwide program to re-establish what has been lost during the past quarter-century under so-called "deregulation."

3. The principal-production capacities used for this national program, will be that reserve development and production-capacity embodied in the existing domestic U.S. automotive industry. This will utilize the machine-tool design capacity of the existing industry for Federal infrastructure programs in restoring our presently ruined and endangered national public transportation (air, rail, navigable waterways) and power grid. This will include participation by our national aerospace development capabilities.

4. Once intelligent average citizens reflect on the ruinous effects of national policy-trends over the recent quarter-century and longer, and consider the once-prosperous regions of our nation, such as the area inclusive of the areas of

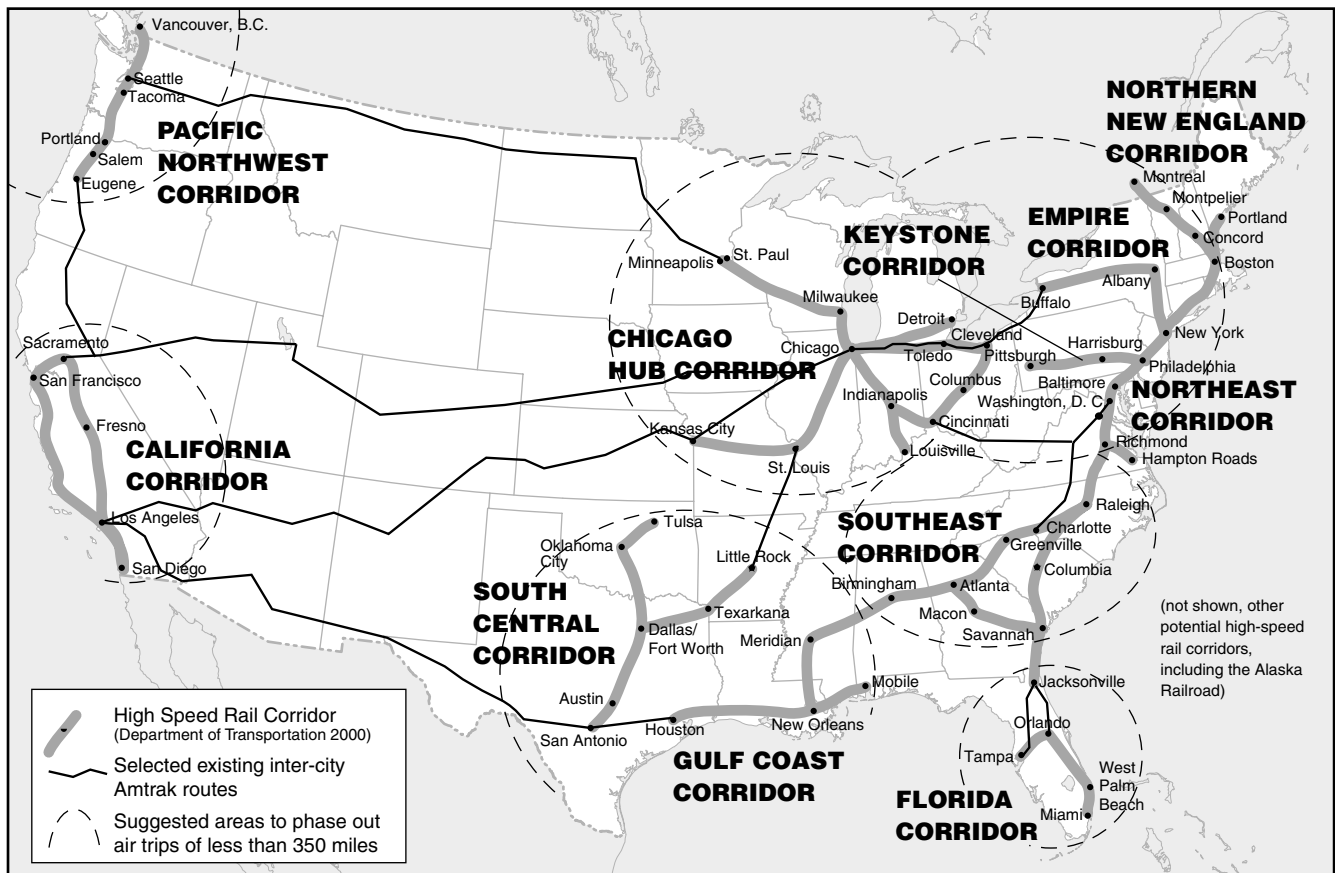
states of western New York, Pennsylvania, Michigan, Ohio, and Indiana, now struck brutally by the contraction of and present new threats to the natural state and economic welfare of those areas, a patriotic perception of the urgent national economic and related interest in launching such programs should be easily aroused.

Once upon a time, when family evening meal-times were not a luxury shared by but a few, when schools, libraries, medical care, and shopping areas were within routine walking-distance, and when the economy was being developed throughout most of the territory of each Federal state, we were happier, and more secure, and more productive, not spending up to the near-equivalent of a working day on commuting. There was time to work, and also time to live. We used to eat with the family at home, for at least one meal of the day, and have a large percentile of daily needs met within a range of something close to a walking-distance.

Some time, in the future, we shall approach the point that we could travel to distant parts of the planet at Mach 7-8 scramjet speeds, without very much time spent in getting to the relevant airport. That day is still distant, but such days ought to be indicators of the direction in which the future life's experience of our people is aimed today. Meanwhile, a scramjet is a needed part of the national experience in the relative near-term, in step-wise approaches to orbital space-station positions.

Immediately, we must end the loss of enraging hours on

FIGURE 3

**United States: High-Speed Rail Corridor Designations**

*This map shows the 12 high-speed rail corridors proposed by the U.S. Department of Transportation's High-Speed Train division in 2000; they would cover 12-15,000 miles in the most densely populated area, and cost between \$50 billion and \$75 billion (in constant 1998 dollars), over 20 years. Only one such corridor—the Northeast—is in operation right now*

*Once these corridors are created, in coordination with major hubs of air traffic, gear-up should start for key routes of magnetically levitated passenger and freight lines, and for intercontinental connections.*

major highways used as rush-hour parking-lots—while the rush-hour intervals become longer, and longer, and longer, as years pass by. There is a better way to live. An integrated, modern national mass-transit system is among the essential parts of remedies for such currently pressing problems. We will not solve all such problems instantly; but the knowledge, among our citizens, that we are moving in the direction of such goals, that improvements are being experienced year-by-year, is one of the hallmarks of the improvement in the way of life.

5. When we reflect on the changes in the physical conditions of life of, especially, the lower eighty percentile of our population's income-brackets, and trace the physical downshifts over the recent quarter-century since the late 1970s wave of deregulation, it should be clear that our nation's policies have been wrongly directed over the past quarter-century and longer. Looking at the facts, the Kennedy manned Moon-

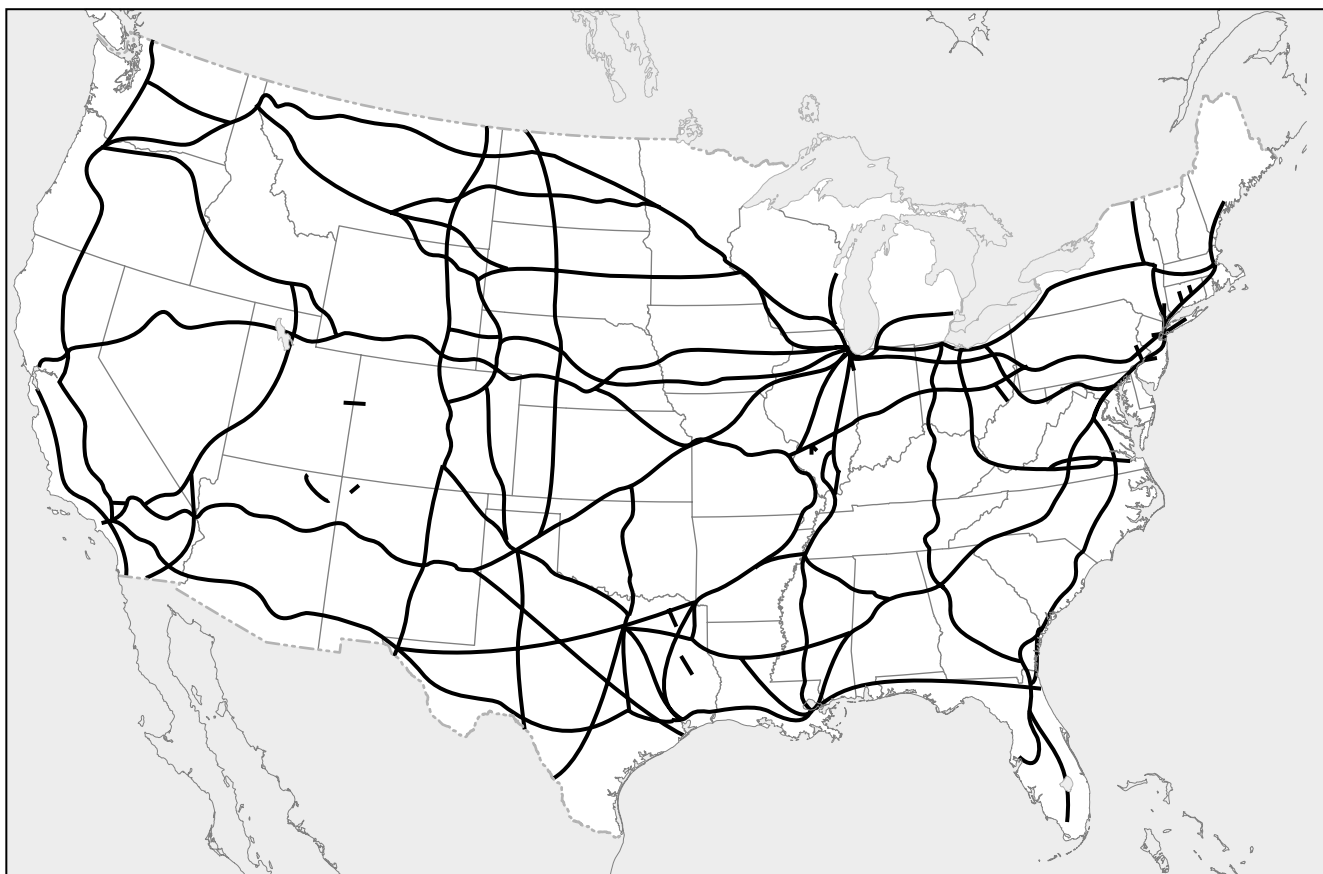
landing objective was one of the great achievements of our civilization, but already, between the assassination of that President and the launching of the U.S. war in Indo-China, the U.S. economy was undergoing a shift from continued growth, under Franklin Roosevelt and for two decades more after Roosevelt's death. When things are measured in physical realities of life, rather than the usually misleading Wall Street and Federal Reserve arithmetic, our economy has been collapsing.

We have been collapsing up to the point that the United States under the current Presidency is already physically bankrupt on current account, and becoming more so by the day. This should have shown us that we have done some things wrong in our nation's policy-shaping. Not investing in restoring worn-down investments in basic economic infrastructure such as power, mass transportation, health-care facilities, and so on, as we have done since the beginning of



FIGURE 4

## An Electrified U.S. Rail System: Phase II, 42,000 Miles



Source: Hal S. Cooper, Cooper Consulting Co.; *EIR*.

the Nixon Administration, is key to the way we have ruined our economy and the physical living standard of most of our people. Shifting from production to a “services economy” has ruined us.

We must return to the kind of policies which Franklin Roosevelt employed to correct the blunders of the Coolidge and Hoover Presidencies, and the combination of the policies of the Eisenhower and Kennedy Administrations which made the triumph of the manned Moon landing possible. That manned Moon landing was a triumph which neither we, nor any other nation, has been able to match since. We can not do it, because we destroyed essential elements of the scientific and production base on which that achievement depended; we were already in the process of destroying it at the moment President Richard Nixon was witnessing the reports of the successful touch-down.

6. National mass-transport of people and freight is one of the most essential measures to be taken. Increasing the installed amount of high energy-flux-density power genera-

tion is another among the highest priorities for bringing on a general economic recovery.

Again, the available, but presently endangered national capacity in our automotive and aerospace institutions, especially the machine-tool-design driver portion of that capacity, has an indispensable role to play in meeting the need to restore our navigable waterways, our regional and local water-management systems, and in the urgently needed replacements, and expansion, of power-generation and distribution capacity.

If a single national facility, along the lines of what was done under the Franklin Roosevelt Administration’s Harry Hopkins and Harold Ickes, were established by the U.S. Congress, as a Federal authority with the mission to coopt the reserve capacity associated with the auto industry, especially the crucial machine-tool-design sector, for the indicated transportation and power objectives, the U.S. economy would rise rapidly to a level significantly above breakeven, up from the disaster, the collapse which looms today.

# The Auto Industry Can Help Build New Nuclear Plants

by Marsha Freeman

The recent shift in economic policy by the leadership of the Democratic Party, toward a return to the approaches of Presidents Franklin Roosevelt and John F. Kennedy, poses the question: To rebuild the economy, what infrastructure projects must be at the top of the nation's agenda? First, are the immediate critical needs, such as the rebuilding of the ravaged Gulf Coast. Beyond that, the deficit in basic U.S. infrastructure, such as safe bridges and roads, and modern transportation and clean water systems, is in the trillions of dollars.

But as the mobilization gets under way to bring infrastructure up to a level that can support the economic revitalization of the nation, the first bottleneck that will be faced, will be a shortage of electric power. The growth of electricity consumption reached 7% per year during the 1960s, when President Kennedy's program to land a man on the Moon provided the science-driver to upgrade the productivity of the entire economy; however, for the past two decades, U.S. electricity

growth has been an anemic 1-2% per year. That meager increase has been fueled largely by "commercial" expansion, of shopping malls and entertainment centers, while industrial consumption of energy continues to fall as industry shuts down.

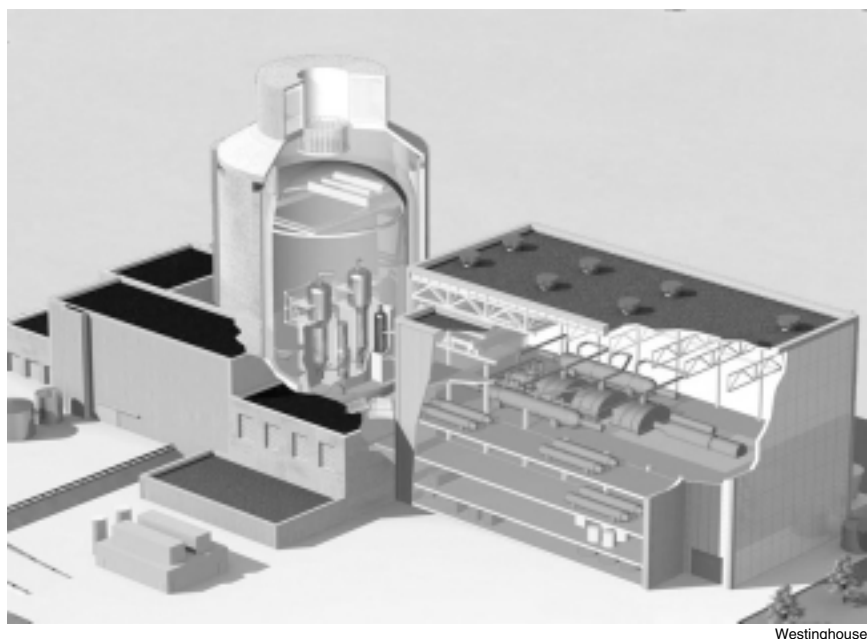
Were the United States to begin to take the necessary steps to electrify its railroads, build new, more advanced urban mass transit systems, move to hybrid cars, or in any way increase demands upon industry for basic materials and capital goods, there would not be sufficient electric generating or distribution capacity. In parts of the country, such as the Northeast and West, there are already threats of shortages, even under current economic depression conditions.

The United States currently has 103 operating nuclear power plants, which provide approximately 20% of the nation's electricity. Before the sabotage of nuclear power projects in the late 1970s, the plan was to have a thousand plants

on line by the year 2000. Even just to maintain nuclear energy's paltry 20% of U.S. electric power, close to 100 new reactors will have to come on line in the next two decades. To rebuild infrastructure and upgrade U.S. productivity, while shutting down both inefficient, aging plants and those burning precious (and increasingly expensive) natural gas, hundreds more will have to be built.

The U.S. auto and machine-tool industries are now in the throes of the greatest destruction of human and physical capital in American history. This path of self-destruction began in the late 1960s, when the majority of the 400,000 highly skilled engineers and manufacturing workers in the aerospace industry lost their jobs, as spending for the Vietnam War, and "limits to growth," destroyed the post-Apollo future of the space program.

A decade later, the United States shut down much of its nuclear industry, capitulating to the hysterics of the Wall Street-funded environmentalist move-



*A cutaway view of the next generation Westinghouse AP 1000 reactor, which has been designed with approximately 600 modules. This approach will allow converting sections of the auto industry into building modular components for new nuclear plants, as well as other much-needed infrastructure.*

ment, and the overall anti-technology pessimism that the Congress for Cultural Freedom had spent decades cultivating. Today, the United States cannot even manufacture all of the components for a new nuclear plant.

At the end of the 1980s, and the fall of the Soviet Union in 1991, the contraction in military and aerospace spending was supposed to be replaced by a “peace dividend” to keep leading-edge technologies in the civilian pipeline. It never materialized. A quarter of a million aerospace engineers lost their jobs, in California alone.

This country is now at the end of the line. The U.S. auto industry embodies the greatest concentration of mass production capacity, the most highly skilled production and machine-tool operatives, and the greatest flexibility in production mix, in the national economy.

Policy-makers in Washington are considering how to deal with the crisis in auto. They must put forward a plan to convert the capacity that is not needed to manufacture cars, into rebuilding American infrastructure. And that must include components for new nuclear power plants.

## Not Your Father’s Nuclear Plant

The United States’ nuclear industry, and indeed those of all nuclear-supplier nations, would not even exist today, were it not for the dramatic move into nuclear energy in Asia since the mid-1980s. Since that time, 9 nuclear plants have been built in China, 8 in India, 24 in Japan, and 14 in South Korea. These projects have allowed the nuclear industry to maintain many of the critical skills and manufacturing capabilities that would otherwise have disappeared.

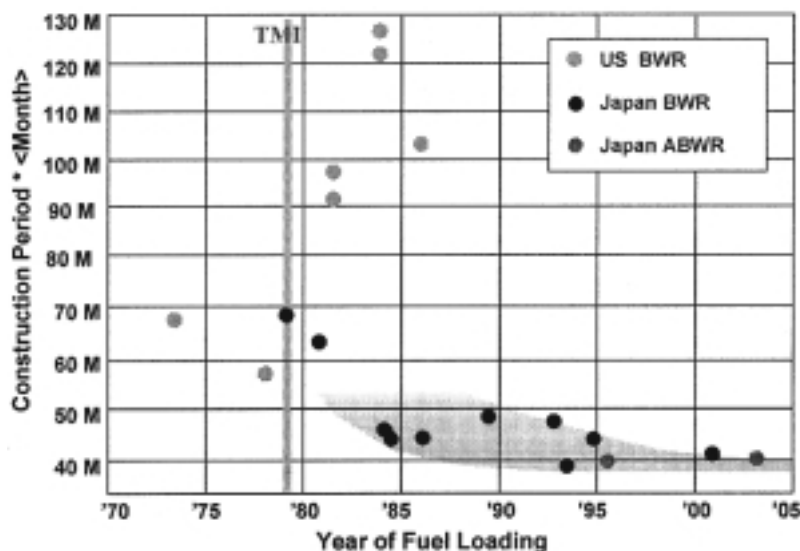
The prospect of the continued growth of nuclear energy in Asia, the construction of a new nuclear plant in Europe (in Finland), and the more recent optimism of a nuclear renaissance in the United States, have motivated the worldwide nuclear industry to improve technology and develop what are referred to as Generation 3+ reactor designs.

The newest operating nuclear plants incorporate standardized and simpler designs, are passively safe, have shorter construction times, require less frequent maintenance, and operate at higher efficiency.

A number of detailed studies have been undertaken recently, with support from the U.S. Department of Energy, to examine what further improvements can be made for the new nuclear power plants that will be built. The results are impressive. And the recommended modularization of the components for standardized designs, and mass production required to produce not one or two, but dozens of new nuclear plants,

FIGURE 1

## Trends in Time Required To Build Nuclear Plants in the United States and Japan



Source: ABWR Cost/Schedule/COL Project at TVA’s Bellefonte Site, DE-AI07-04ID14620.

*This chart demonstrates the reduction of the time required in Japan, since the Three Mile Island (TMI) incident, to build nuclear Boiling Water Reactors, and Advanced BWRs, compared to that of the United States. No nuclear power plant construction began in the U.S. after the Three Mile Island incident in 1979.*

creates the opportunity to turn abandoned auto and machine-tool factories into the engine for nuclear power.

The nuclear plants now operating in the United States were built on a one-of-a-kind basis, with an average construction time of 66 months, or five and a half years, for those plants completed by 1979. This was comparable at that time, to construction schedules in Japan.

But 1979 was a watershed for nuclear power, as the accident at the Three Mile Island plant in Pennsylvania was used to assault the nuclear industry. Anti-nuclear ideologues were allowed to strangle the industry and utilities with onerous new regulations, many of which are now recognized as having been an “over-reaction” to the accident. Those regulations, plus the paralysis of projects through specious challenges in the courts, and then-Federal Reserve chairman Paul Volcker’s double-digit interest rates, led to construction times of up to ten years, and the end of building new nuclear plants. In Japan, continuous improvements have been made in construction processes; now a 40-month schedule has become the Japanese standard. (See Figure 1.)

In 2004, the Department of Energy released a report on the “Application of Advanced Construction Technologies to New Nuclear Power Plants.”<sup>1</sup> The technologies considered

1. “Application of Advanced Construction Technologies to New Nuclear Power Plants,” Sept. 24, 2004, MPR-2610.

were those developed since the last American plant had gone on line about a decade earlier. Some lessons were learned from the more recent projects in China, South Korea, and Japan.

Thirteen technologies were considered and nine were considered “sufficiently mature” to be implemented, and to provide immediate economic benefits.

The technologies that do not require further research and development, include robotic welding, already used in Japan, China, and France for nuclear components; applying Global Positioning System satellite navigation technology to site preparation, which is used worldwide for precision positioning in large infrastructure projects; laser scanning for process control; and precision explosives to replace slower mechanical excavation methods, which were used in the building of the Millstone Unit 3 nuclear plant.

One of the three technologies which the report described as needing some additional development, but which would have potentially the largest impact on construction schedule reduction, is quite suitable for implementation in the auto industry—the prefabrication, pre-assembly, and modularization of nuclear plant components. This approach is already used in Japan and China, and in building U.S. fossil fuel plants, nuclear powered aircraft carriers, and submarines.

Prefabrication is a manufacturing process, where materials are joined to form a component part. Pre-assembly is a process by which various materials and prefabricated components are joined together for subsequent installation as a unit. A module, formed from a series of assemblies, is the transportable unit taken to the work site, and then placed in position. All of these production steps are already carried out in high volumes today in specialized auto parts and assembly plants in order to produce cars. Since each nuclear plant will also require high-volume production of many components for modules (see **Table 1**), such production is perfectly suited for auto-type mass production.

Modularization shifts many construction activities away from a cluttered field site, to an off-site fabrication shop, which will require new manufacturing facilities. The application of high-volume mass production techniques, means various segments can be worked on in parallel, and reduces downtime due to weather challenges. It is estimated that at least five months can be shaved from the schedule of nuclear power plant construction using modularization.

The next-generation nuclear plants will incorporate even more modular design and fabrication. Construction experience with General Electric’s Advanced Boiling Water Reactor (ABWR) in Japan and South Korea, using structural modules, will be improved upon in GE’s next-generation Economic Simplified Boiling Water Reactor. GE has identified 15 different module types for their new construction approach.

Similarly, Westinghouse has designed its AP600 and

TABLE 1

# Large-Volume Components for a New Advanced Nuclear Plant (1200-1500 MW range)

Equipment	Number (Range)	Comments
Pumps, large	71-100	
Pumps, small	80-484	
Tanks	49-150	from 600-150,000 pounds
Heat exchangers	47-104	All sizes, types, material 2,100-250,000 pounds
Compressors, vacuum pumps	12-26	
Fans	61-123	600-45,000 pounds
Damper/louvers	730-1,170	
Cranes and hoists	25-50	
Diesel generators	2	10 MWe
Prefabricated equipment modules	64-133	Preassembled packages including mechanical equipment, piping, valves, instruments, wiring, etc.
Instruments of all kinds	1,852-3,440	
Valves of all kinds	9,633-17,891	

Source: *U.S. Job Creation Due to Nuclear Power Resurgence in the United States*, Volume 2, page A-125, November 2004, Idaho National Engineering and Environmental Laboratory.

larger AP1000 reactors with modules as an integral part of the concept. There are approximately 600 modules in the design, some of which include all major pipe areas, electrical equipment, and structural modules, containing ready-built stairs, platforms, floors, etc.

The report cautions that facilities “may not be adequate to fabricate modules at the rate required”; a perfect opportunity to convert now-idle auto parts producing facilities to manufacturing for the nuclear industry.

## TVA Case Study

In August 2005, a study was completed by the Tennessee Valley Authority, Japan’s Toshiba Corp., General Electric, U.S. Enrichment Corp., Bechtel Power Corp., and Global Nuclear Fuel-America, to determine how today’s most advanced technologies could be applied to a specific project—the construction of an additional two units at TVA’s Bellefonte site in Alabama.<sup>2</sup> The General Electric ABWR design was chosen, because such units have been built and are in operation in Japan and Taiwan, and it has been certified for use in the United States.

During the study, Toshiba and GE identified 66 improve-

2. “ABWR Cost/Schedule/COL Project at TVA’s Bellefonte Site,” August 2005, DE-AI07-04ID14620.

ments that could be made in the design and construction techniques, many of which incorporate those recommended by the DOE study the previous year. The improvements resulted in a schedule for each new Bellefonte plant of 40 months. One of the major factors in the schedule reduction is the extensive use of modularization. The report points out that this is particularly well suited to the Bellefonte site, since it is located on a navigable waterway. One of the challenges to using modular components will be the ability to transport them to the reactor construction site, considering the state of the nation's broken down transport system.

The study points out that additional improvements could bring the time to build a new nuclear plant below the 40-month mark. The study assumed that Toshiba, in Japan, would be supplying the nuclear reactor pressure vessel and internal components, because they no longer can be manufactured in the United States, a situation that must be rectified.

It is not only the auto industry and its skilled workforce that would benefit from the revival of nuclear plant construction. The TVA study concluded that at the construction peak at 30 months, 4,500 craft personnel would be on site. This includes 1,800 pipe fitters and 1,100 electricians, for each plant. Over the course of the project, \$938 million would be spent on labor costs, with wages ranging between \$29.58 and \$41.38 per hour.

An earlier study, carried out by the Idaho National Engineering and Environmental Laboratory (INEEL),<sup>3</sup> considered broader job creation through the construction of the first approximately 40 new nuclear plants. The report assumed a five-year construction period, and stretched out the deployment of the plants from 2009 through 2020.

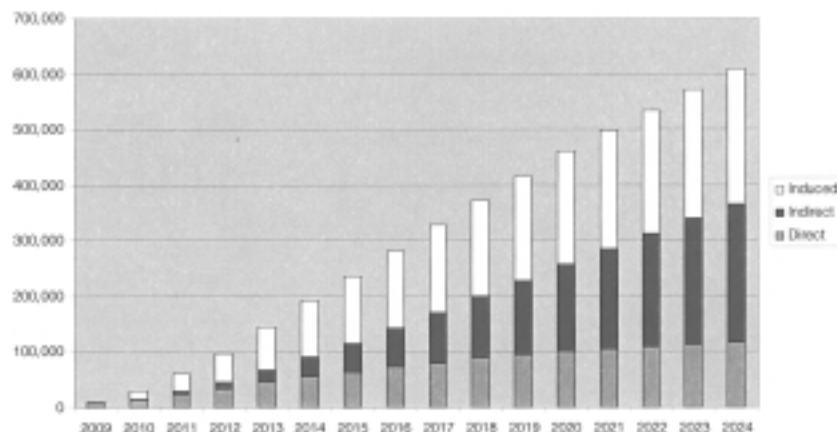
Although this timescale is unrealistic in terms of what is necessary, the data presented are a useful benchmark. A more aggressive schedule, where more plants were under construction simultaneously, would require more manpower.

The report examines various categories of jobs created. They include manufacturing jobs that would be repatriated from abroad; direct construction jobs and permanent jobs for power plant operators; indirect jobs for outside goods and services, which include nuclear fuel, maintenance and repair services, management and consulting; industrial machinery, pipes, valves, and pipe fittings; research and testing; and other services.

3. "U.S. Job Creation Due to Nuclear Power Resurgence in the United States," November 2004, INEEL/EXT-04-02384.

FIGURE 2

## Increase in Cumulative Direct, Indirect, and Induced Jobs, U.S.A.



Source: Idaho National Engineering and Environmental Laboratory.

*Construction of the first 40 1,200 MW nuclear power generation units, by the year 2024, would dramatically increase the number of new jobs that would be generated in the U.S. economy.*

Induced jobs are non-nuclear industry employment created by the jobs added in the above categories. An example cited is a study of the economic impact of the Indian Point nuclear plant in New York, which created 918 induced local jobs (such as school teachers and home construction workers), 1,132 induced jobs in New York State, and 5,125 across the United States.

The INEEL report projects that to build the 40 or so plants, approximately 38,000 jobs that were previously lost, either to offshore companies or attrition due to the contraction of U.S. industry, would be repatriated. But this pales by comparison to the 79,000 new construction and operations jobs that would be created, plus 38,000 manufacturing jobs. As many as 250,000 indirect jobs would "ripple through the U.S. economy," the report states, and create an additional 242,000 jobs. A total of nearly 610,000 new, mainly skilled jobs, would be added to the economy. (See **Figure 2**.)

There are constant complaints that this country is dependent upon, and can be held hostage to, foreign energy suppliers. All we need do is to electrify much of the transportation that uses liquid petroleum fuels. We must electrify the railroads; replace wasteful short-haul air travel with magnetically levitated, and high-speed rail electric transport systems; replace mind-numbing car commutes with urban mass transit; and develop the next-generation high-temperature nuclear reactor technologies that will make it economical to produce hydrogen from water.

To do this, hundreds of nuclear power plants will have to be built. To do that, the mass production capabilities of the auto industry will be required.

# Building a High-Speed Railway Network

Earlier this year, Richard Freeman and Hal Cooper published a study on the requirements for upgrade of the heart of the U.S. rail system, in two phases, to electrified high-speed rail moving freight at about 100 mph, and then later to magnetically levitated rail, at upwards of 300 mph (*EIR*, June 10, 2005). They charted first the double-tracking and electrification of 26,000 route-miles, and then onwards to a total of 42,000 route-miles, the heart of the network, which carry 65% of our freight and 70% of our intercity passengers, although constituting only 29% of our total rail mileage.

The chart here shows estimated bill-of-materials requirements for 5,000 miles of rail lines radiating from Chicago through the industrial Midwest. These results can then be extended to the full 26,000 miles of the first phase of the upgrade (not shown). Our special interest here, again, is the role of the machine-tool design factor of today's auto industry, in permitting mass production of large parts of these infrastructural requirements. For the most part, this has never been attempted before.

Already, tens of thousands of skilled autoworkers have lost their jobs over recent years, with tens of thousands more slated to be "excessed" in the immediate period ahead. The loss of these plants not only means an economic disaster for the cities and towns where they are located, but also could set off a financial disaster.

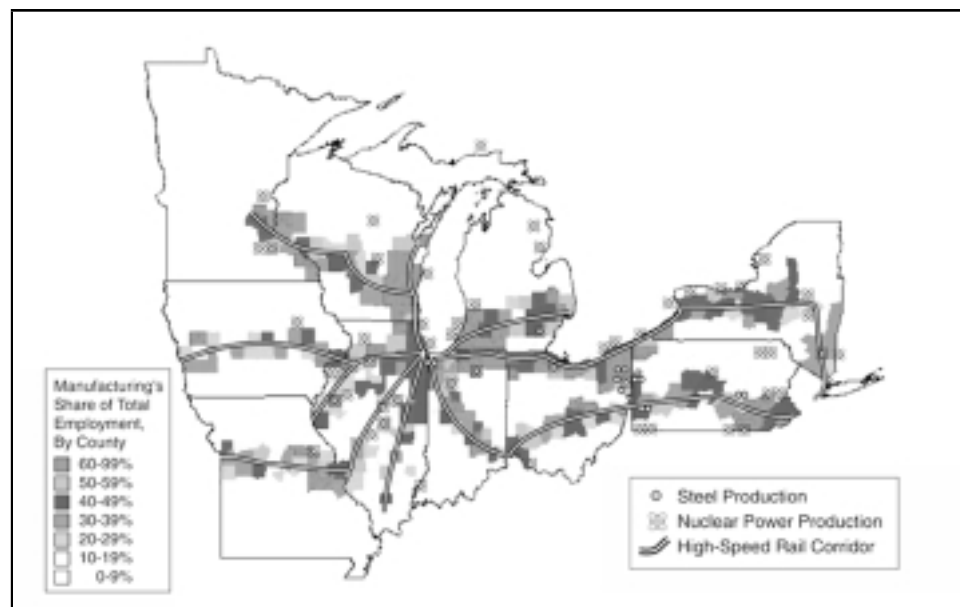
## Rail Network's Bill of Materials = Skilled Jobs

- 5,000 miles of high-speed, double-tracked rail corridors
- 1,250 all-electric locomotives—a job for the auto industry
- 3.7 million tons of high-strength steel
- 6,000 megawatts of new electric power
- 5,000 miles of new electricity transmission lines and catenaries
- Hundreds of new substations
- 2.7 million tons of cement
- 100,000 new skilled jobs
- Multiply by 8 for a 42,000-mile, national high-speed network
- For maglev rail, 25,000,000 tons of steel

But the United States cannot afford to lose this high-skilled capability. In order to rebuild a modern transportation network, skilled workers will be in urgent demand in order to start up mass production of locomotives, track, and the electric power sources which would be required to power a modern electric-rail system. Around a core of highly skilled workers, this rail-network project will require the employment of many, many more unskilled workers, who, as in the experience of World War II, will rapidly become upgraded and trained.

In reality, to save the U.S. economy, we don't have a choice. We must modernize our transportation system, in order to be able to move freight, as well as people, more rapidly and economically. The shift to truck transport, which has occurred as a result of the deliberate downsizing of the rail network, has cost the U.S. economy an enormous amount. The fact that this project will create hundreds of thousands of good-paying jobs, is the lawful result of returning to the American System approach of public support for investment in infrastructure, as one of the linchpins of creating a productive economy.

## Reverse Deindustrialization by 2020—Build High-Speed Rail Networks



# Sales Drop, Strike Threat Leave Auto One Way Out

Auto sales in the United States for the first half of December fell by 14% from December 2004; this pointed to the fourth straight month of dismal sales after two months of “incentive madness” sales in the Summer. The drop was again across the board, including the Japanese automakers: Despite launching a new round of discounts, GM’s sales dropped 17%, Ford’s sales plunged 25%, and Chrysler’s fell 19%. Sales for Toyota slid 6%, Honda’s declined 3%; while sales at Hyundai and Nissan fell 20% and 14%, respectively. Auto sales were also falling in Europe in 2004-05, in Japan from 2003-04, and even in China. This underlies the “big league sports”-type hyping of a contest between GM and Toyota for “Number 1”; they are debating over pieces of a pie which is shrinking because of a “globalized” fall in real wages.

There is clearly no way auto can “sell its way out” of the crisis, which has the ratings agencies promising almost continuous credit downgrades through 2006, in what is already a global auto debt crisis.

By Dec. 15, announcements and leaked threats of auto production plant closings around North America by the biggest firms, in a wave which is already ongoing, had targetted nearly 50 plants, over 60,000 production workers, and tens of thousands of white collar workers (*EIR*’s comprehensive and exclusive map of these facilities is on page 16). And announcements of shutdowns by middle-rank auto-supply companies, come almost daily; the biggest light truck axle maker, Dana Corp., for example, announced Dec. 21 it will eliminate a plant and 500 jobs in Ontario, and others overseas.

United Auto Workers locals have been told to make strike preparations against the most drastic shrinkage plan, that of Delphi Automotive’s pirate “CEO,” Steve Miller; then Miller on Dec. 18 claimed he had taken the huge wage cuts and bankruptcies off the table. But his frivolous declaration of Delphi’s bankruptcy, in order to loot the company, has created a situation of danger of a national auto strike. Miller can’t control that situation; GM’s CEO Rick Wagoner may be able to.

The Democrats of the House of Representatives’ Education and Workforce Committee have made an important intervention with “online e-hearings” (the Committee’s Republican chairman refused to hold formal hearings) from Dec. 6-31, which have been deluged with testimony from elected officials and auto unionists. Democratic leader Lyndon LaRouche welcomed the hearings’ “bringing the people directly into the discussion of policy. Otherwise, ‘democracy’ in America is a whore, it’s controlled by money.”

LaRouche on Dec. 1 urged that Congress hold field hear-

ings and town meetings everywhere the auto crisis is hitting. His “retool auto to build infrastructure” idea for Congressional intervention, will bring hundreds into Washington for a webcast meeting and lobbying Jan. 11-12.

## Black Legislators Pass ‘Retool Auto’ Resolution

The National Black Caucus of State Legislators (NBCSL), at its annual conference in Washington Dec. 9, adopted a resolution calling for a Congressional intervention to save the auto industry, by credit and retooling for economic infrastructure construction.

State Representative LaMar Lemmons III presented the resolution, which was identical to the one that he filed in the Michigan State Legislature on May 18, 2005. It was voted on by the body of the NBCSL, and passed unanimously. Half a dozen other state representatives in attendance had filed similar resolutions in their own states.

**RESOLUTION 06-61, Resolution To Promote and Diversify the Automotive and Machine-Tool Sectors of Our National Economy**, states, in part:

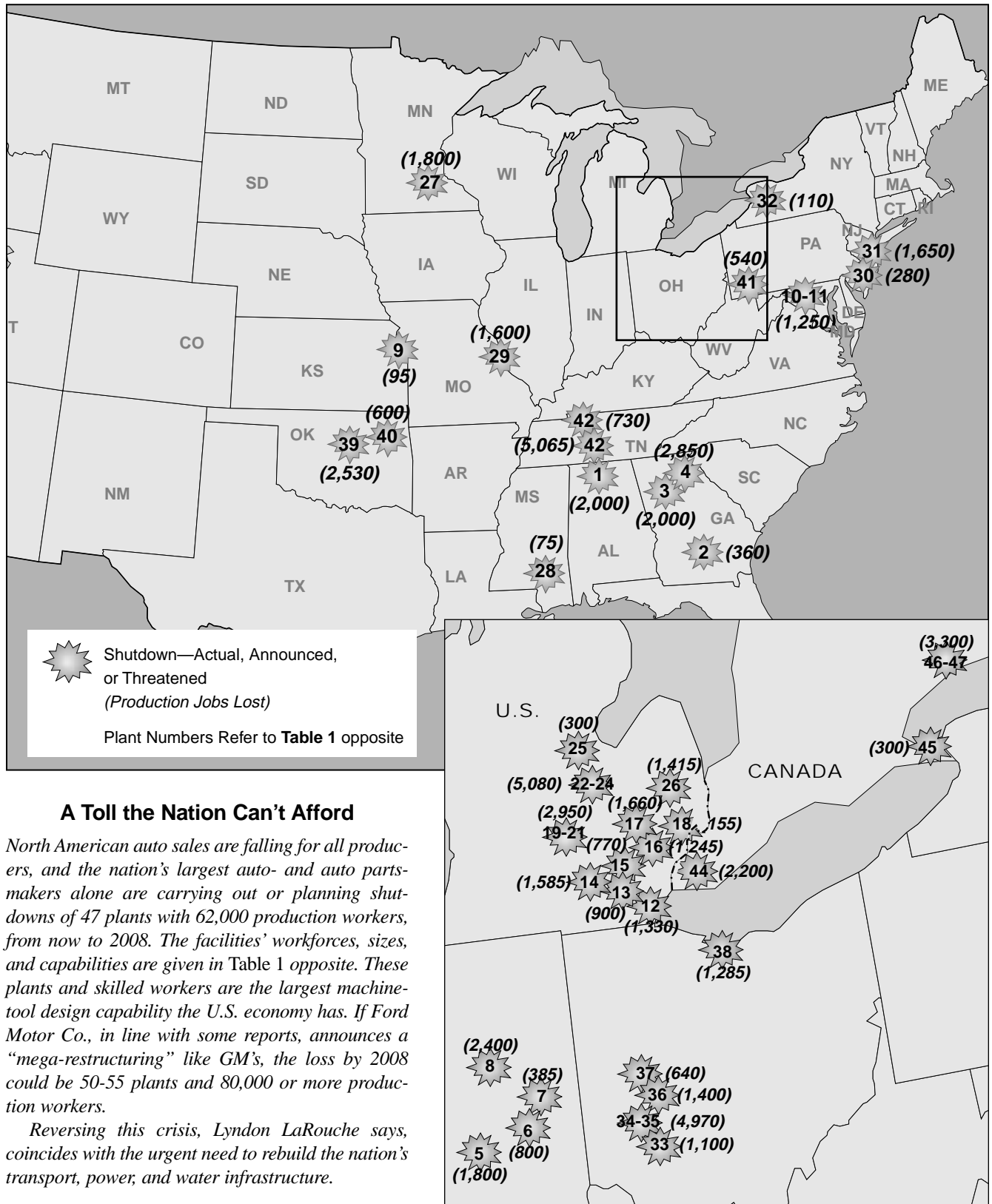
**Whereas** Government has an obligation to promote the economy through the creation of new capital investment, which will result in the expansion of employment opportunities and help jump-start long-term capital investment by private investors; We must ensure the continued viability of our automotive and machine-tool industries. The loss of these vital anchors of our economy would be a strategic disaster with incalculable chain-reaction consequences for our nation and the world; and

**Whereas** one of the key options is Federal capital investment in diversification of the productive potential of the automotive and machine-tools industries into a broader mixture of production. Our nation needs to shift into the domain of essential capital goods and economic infrastructure, such as the repair, expansion, and improvement of our national railway systems; maintenance and improvement of water-management systems; and the development of other urgently needed infrastructure projects. The result of this will be to save existing manufacturing jobs and create large new areas of employment in infrastructure and manufacturing for our citizenry, in a manner comparable to the best of the New Deal programs that rescued the nation and the world from the ravages of the Great Depression;

**Now therefore be it resolved by the 29th Annual Legislative Conference of the National Black Caucus of State Legislators**, assembled in Washington, D.C., December 7-11, 2005, that we urge the Congress of the United States to take every possible action to promote and diversify the automotive and machine-tool sectors of our national economy.

FIGURE 1

# Critical Auto Capacity To Be Saved: Announced and Threatened Shutdowns 2005-08



## A Toll the Nation Can't Afford

North American auto sales are falling for all producers, and the nation's largest auto- and auto parts-makers alone are carrying out or planning shutdowns of 47 plants with 62,000 production workers, from now to 2008. The facilities' workforces, sizes, and capabilities are given in Table 1 opposite. These plants and skilled workers are the largest machine-tool design capability the U.S. economy has. If Ford Motor Co., in line with some reports, announces a "mega-restructuring" like GM's, the loss by 2008 could be 50-55 plants and 80,000 or more production workers.

Reversing this crisis, Lyndon LaRouche says, coincides with the urgent need to rebuild the nation's transport, power, and water infrastructure.



TABLE 1

## Shutdowns of GM, Ford, Delphi, and Visteon Plants Could Eliminate Another 62,000 Production Jobs

No.	State	City	Type of Facility	Hourly Workers	Salaried Workers	Plant Millions Sq. Ft
1	Alabama	Athens	Delphi Electrical/Steering	2,037	174	0.7
2	Georgia	Fitzgerald	Delphi Batteries	363	22	
3	Georgia	Atlanta/Hapeville	Ford Assembly	1,978	174	2.8
4	Georgia	Doraville	GM Assembly	2,856	220	3.6
5	Indiana A	Indianapolis	Visteon Steering Components	1,800	300	
6	Indiana	Anderson	Delphi Energy & Chassis	791	89	0.5
7	Indiana	Muncie	GM Transmission	385		
8	Indiana	Kokomo	Delphi Environment & Safety	2,421	2,913	2.3
9	Kansas A	Kansas City	Visteon IP/Lamp Assembly	95	15	
10	Maryland	Baltimore	GM Assembly	883	120	3.0
11	Maryland	Baltimore	GM Transmission (PT)	376	68	0.4
12	Michigan A	Monroe	Visteon Chassis	1,330	220	
13	Michigan A	Milan	Visteon Powertrain	900	150	
14	Michigan A	Saline	Visteon Interiors	1,585	265	
15	Michigan A	Ypsilanti	Visteon Chassis	770	130	
16	Michigan A	Plymouth	Visteon Climate Control	1,245	205	
17	Michigan	Wixom	Ford Assembly	1,663	167	4.7
18	Michigan A	Chesterfield Twnship	Visteon Seating Foam	155	25	
19	Michigan	Lansing/Delta Twnshp	GM Assembly	130	16	
20	Michigan	Lansing/Grand River	GM Assembly	1,303	185	2.0
21	Michigan	Lansing	GM Metal Center	1,514	144	1.7
22	Michigan	Flint East	Delphi Exhaust Systems	649	84	1.1
23	Michigan	Flint East	Delphi Energy, Engine	2,173	257	4.2
24	Michigan	Flint North	GM Powertrain	2,262	360	
25	Michigan	Saginaw	GM Malleable Iron (PT)	292	41	0.3
26	Michigan A	Shelby Township	Visteon Interiors/Exteriors	1,415	215	
27	Minnesota	St. Paul	Ford Assembly	1,805	160	2.1
28	Mississippi	Laurel	Delphi Energy Systems	73	9	0.2
29	Missouri	St. Louis/Hazelwood	Ford Assembly	1,589	153	3.2
30	New Jersey	New Brunswick	Delphi Batteries	283	29	
31	New Jersey	Linden	GM Assembly	1,654	88	2.6
32	New York	West Seneca	Visteon Compressors	110	85	0.3
33	Ohio	Kettering	Delphi Thermal Systems	1,094	147	2.6
34	Ohio	Moraine	Delphi Energy & Chassis	1,145	113	0.3
35	Ohio*	Moraine	GM Assembly	3,821	344	4.1
36	Ohio	Dayton	Delphi Compressors	1,409	252	1.2
37	Ohio	Vandalia	Delphi Interiors	641	3	0.7
38	Ohio A	Sandusky	Visteon Lighting	1,285	215	
39	Oklahoma	Oklahoma City	GM Assembly	2,534	200	3.9
40	Oklahoma A	Tulsa	Visteon Glass	600	100	
41	Pennsylvania	Pittsburgh	GM Metal Fabricating	541	72	0.9
42	Tennessee	Spring Hill	GM Assembly	5,067	709	5.2
43	Tennessee A	Nashville	Visteon Glass	730	120	
<b>Canada</b>						
44	Ontario	Windsor	Ford Engines	2,200		
45	Ontario	St. Catherines	GM Powertrain	300		
46	Ontario*	Oshawa Plant #1	GM Assembly	1,000		
47	Ontario	Oshawa Plant #2	GM Assembly	2,300		

A = Facility in Ford Motor Company's "Automotive Components Holdings, LLC," as of Oct. 1, 2005

\*Third shift at the plant will be eliminated; figure represents one-third of the plant's production workforce.

Sources: General Motors Corp.; Ford Motor Co.; Delphi Automotive; Visteon Corp.; EIR.

# Cheney and His Patsy, Bush, Face Impeachment Furor

by Jeffrey Steinberg

*“Impeach, impeachment, and impeachable* are words now back in prominent usage, as the result of the antics of Dick Cheney and his patsy, George W. Bush,” Lyndon LaRouche commented on Dec. 22. LaRouche was referring to the firestorm of Congressional and judicial reactions to the Vice President’s openly totalitarian assertion that, as the result of the attacks of Sept. 11, 2001, there are no Constitutional limits on the power of the U.S. Presidency.

Cheney’s defense of the right of the U.S. military and intelligence agencies to kidnap and torture suspected terrorists had already triggered a bipartisan, bicameral revolt by the U.S. Congress against the Vice President (see *EIR* Dec. 23, 2005, “Cheney Is the Albatross Around George Bush’s Neck”), when the *New York Times*, on Dec. 16, revealed that President Bush, under Cheney’s influence, had signed a secret order, shortly after 9/11, authorizing the National Security Agency (NSA) to spy on American citizens, without first obtaining a warrant from the Foreign Intelligence Surveillance Court. The 1978 Foreign Intelligence Surveillance Act created the secret FISA court, to give judicial approval in those instances where surveillance of American citizens was warranted. In extreme cases, FISA provided the government with permission to conduct surveillance and receive retroactive authorization from the court, 72 hours after the fact.

The *Times* story singled out Vice President Cheney as the architect of the unconstitutional espionage program, noting that the first Congressional briefing on the NSA spying, took place in Cheney’s office in early 2002. Confirming the *Times* account of Cheney’s role, on Dec. 19, Sen. Jay Rockefeller (D-W.V.), the current ranking Democrat on the Senate Select Committee on Intelligence, released a letter that he handwrote to Dick Cheney on July 17, 2003, expressing his grave concerns over the NSA surveillance program, which he had been

briefed on that day (see *Documentation*).

Two days after the *Times* story—which had been kept on hold for more than a year, under White House pressure—was published, President Bush delivered his weekly Saturday radio address, and launched into an unabashed defense of the NSA illegal, warrantless spying on Americans. In what was tantamount to a suicidal public confession of an impeachable offense, the President admitted: “In the weeks following the terrorist attacks on our nation, I authorized the National Security Agency, consistent with U.S. law and the Constitution [sic], to intercept the international communications of people with known links to al-Qaeda and related terrorist organizations. . . . This is a highly classified program that is crucial to our national security.”

Contrast that to a statement made by President Bush on April 20, 2004: “Now, by the way, any time you hear the United States government talking about wiretap, it requires—a wiretap requires a court order. Nothing has changed, by the way. When we’re talking about chasing down terrorists, we’re talking about getting a court order before we do so.”

The day after the President’s shocking Saturday radio address, John Dean, who was White House General Counsel under President Richard Nixon at the time of Watergate, in a public discussion with Sen. Barbara Boxer (D-Calif.), called George Bush “the first President to admit to an impeachable offense.”

In a Sunday night, Dec. 18, television address, initially billed as a discussion with the American people about the just-concluded Iraqi elections, the President tightened the noose around his own neck, and once again went out of his way to defend the indefensible spying program. On Monday morning, Dec. 19, in a year-end press conference, the President was bombarded with questions about the illegal spy program,



The Texas Young Republican Federation web site

*Cheney and his patsy: "Bye, bye."*

and he yet again asserted an un-American notion of limitless Presidential authority, in the wake of 9/11.

### **Cheney's Ultramontane Dogma**

Bush's bizarre public confession, that he approved a patently unconstitutional program of illegal surveillance of American citizens, has confounded both media pundits and the general public.

No one, however, was particularly shocked when, in a similar series of public interviews last week, Vice President Cheney, the "Tomás de Torquemada" of the Bush Administration, asserted his doctrine of ultramontanist Presidential power, and snarled at reporters who dared challenge him.

While travelling in the Persian Gulf and South Asia, the Vice President agreed to be interviewed by ABC-TV News for a Dec. 19 "Nightline" broadcast. In that interview with Terry Moran, Cheney asserted that the illegal spying program was implicitly approved by the Congress, when it passed the resolution authorizing the President to take military action against Afghanistan, following 9/11; and in "the President's Constitutional authority as Commander in Chief."

But, on Dec. 23, former Senate Democratic Leader Tom Daschle (D-S.D.) wrote an op-ed in the *Washington Post*, revealing that the Bush White House had explicitly tried to shape the language of that September 2001 resolution to include approval for domestic operations, and it was explicitly blocked. "This last minute change," Sen. Daschle wrote, "would have given the president broad authority to exercise expansive powers not just overseas—where we all understood he wanted authority to act—but right here in the United States, potentially against American citizens. I could see no justification for Congress to accede to this extraordinary request for additional authority. I refused. . . . The Bush admin-

istration now argues those powers were inherently contained in the resolution adopted by Congress—but at the time, the administration clearly felt they weren't, or it wouldn't have tried to insert the additional language."

On Dec. 20, aboard Air Force Two, en route to Muscat, Oman, Dick Cheney went really over the top, asserting that the War Powers Act was unconstitutional, and boasting that he came into office as Vice President, committed to reversing the erosion of Presidential power that had occurred after Watergate, and, later, with the Iran-Contra scandal.

"Either we're serious about fighting the war on terror or we're not," Cheney said. "Either we be-

lieve that there are individuals out there doing everything they can to try to launch more attacks, to try to get ever deadlier weapons to use against us, or we don't. The President and I believe very deeply that there's a hell of a threat, that it's there for anybody who wants to look at it. And that our obligation and responsibility given our job is to do everything in our power to defeat the terrorists. And that's exactly what we're doing."

The Vice President then let the cat out of the bag, practically daring Congress and the courts to come after him: "But if there's anything improper or inappropriate in that, my guess is that the vast majority of the American people support that, support what we're doing. They believe we ought to be doing it, and so if there's a backlash pending, I think the backlash is going to be against those who are suggesting somehow that we shouldn't take these steps in order to protect the country."

### **Death By a Thousand Cuts**

Through interviews with a range of government and intelligence sources, *EIR* has pieced together a picture of what is behind this Cheney-provoked Constitutional crisis and political showdown, all rolled into one.

Start with the fact that Dick Cheney is in big political trouble. Lyndon LaRouche had it right when he declared, at a Washington, D.C. international webcast on Nov. 16, that we have entered the "post-Cheney era."

- Cheney's then-chief of staff Lewis "Scooter" Libby was indicted on Oct. 28, for perjury and obstruction of justice in the Valerie Plame Wilson case. The Libby indictment by Special Counsel Patrick Fitzgerald clearly named the Vice President, personally, as Libby's source on the identity of the undercover CIA officer, the wife of Bush-Cheney Iraq-war

critic Ambassador Joseph Wilson. Were Fitzgerald to indict Libby for the underlying crime of leaking Ms. Plame Wilson's name to columnist Robert Novak, he would have to indict Cheney or, at minimum, name him as an unindicted co-conspirator.

- Furthermore, last month, Special Counsel Fitzgerald requested a new grand jury, to continue his probe. Sources say that Fitzgerald is looking way beyond the outstanding issue of whether to indict White House Deputy Chief of Staff Karl Rove on similar obstruction charges, and that his investigation is entering a hyper-active phase, targeting Cheney asset John Bolton, the current U.S. Ambassador to the United Nations, and the entire White House Iraq Group (WHIG), which Cheney ran as the agitprop unit for the Iraq war.

- Cheney's open embrace of torture and "renditions," a euphemism for outright kidnapping of suspected terrorists, has triggered a bipartisan revolt in the Congress, which came to a head on Dec. 15, when the House voted by a veto-proof majority, to back the McCain Amendment, banning all forms of torture by American interrogators. The next day, President Bush threw in the towel, dropped the Cheney-driven White House opposition to the torture ban, and even staged a photo opportunity with Senators John McCain (R-Ariz.) and John Warner (R-Va.), the two drivers of the ban, and two of Cheney's sharpest Senate adversaries.

- By this time, rumors were flying around Washington power corridors, that McCain might replace Cheney as Vice President soon. Similar credible stories indicated that Cheney's partner-in-crime, Defense Secretary Donald Rumsfeld, is on his way out the Pentagon door, sometime soon after the release of the "Quarterly Defense Review" (QDR), a military planning document now being prepared by Deputy Defense Secretary Gordon England. England, who is a popular figure with the uniformed military command, in stark contrast to Rumsfeld and Cheney, is said to be a top contender to replace Rumsfeld.

Cheney was slowly being iced out of office. He was facing the political equivalent of death by a thousand cuts. Furthermore, Cheney's international Synarchist backers, typified by George Shultz, knew that, were Cheney to be dumped as Vice President, they would lose their grip on the Oval Office. Just as Cheney has dominated the Bush Administration's policy, from day one, through his manipulation of the easily duped George W. Bush, a more moderate, sane Vice President could steer the Presidency in a markedly different direction, particu-



*The New York Times lead editorial Dec. 23 puts the "Vice President for torture" on the chopping block.*

larly given the emerging bipartisan bloc in the Congress, opposed to the Cheney agenda.

### **The New York Times Story**

Cheney also knew that the *New York Times* was about to come out with the exposé of the NSA surveillance of Americans. According to a Dec. 19, 2005 *Newsweek* online story by Jonathan Alter, on Dec. 6, President Bush called *New York Times* editor Bill Keller and publisher Arthur Sulzberger into the Oval Office, to demand that they kill the planned story. The *New York Times* had been sitting on the NSA story since October 2004—prior to the Presidential elections—and had been intimidated into holding back publication. This time, however, the *Times* concluded that there was no national security issue involved—just raw White House abuse of power. What is more, the erosion of Bush-Cheney political power suggested that there would be a much-reduced penalty for exposing the White House's unconstitutional power grab. The story would run.

One version of the story suggests that some Cheney allies were involved in leaking similar details about the NSA program to the rival *Washington Post*, to assure that the story would break publicly. Cheney, according to several well-placed intelligence sources, had concluded that he—and his dupe, G.W. Bush—had to go on the offensive. By rekindling images of the 9/11 attacks, and launching aggressive attacks on Congressional "liberals" and turncoat Republicans, for stripping America of its defenses, and so on, Cheney and his collaborators hoped to win back some measure of public support for the Bush-Cheney team.

Furthermore, there was this crucial point: By sending a duped George W. Bush out first, to take personal responsibil-

ity for the illegal wiretaps, attention would be diverted from Cheney to Bush, and the waters would be muddied for those seeking Cheney's ouster. "It seemed like a win-win plan, from the standpoint of the Cheney crowd," one senior intelligence source told *EIR*. "Either Congressional critics of the White House backed down to the Cheney bullying and bluffing, or, at minimum, it became harder to dump Cheney without also going after Bush."

Sober political leaders on both sides of the aisle in Congress, and within the institution of the Presidency, preferred to remove Cheney, without creating the need to bring down President Bush. The reasoning was that the country should be spared the political agony of another impeachment process.

Furthermore, the remaining three years of the Bush Presidency are going to be tumultuous. Real-world crises, like the already advanced collapse of the American automobile manufacturing/machine-tool sector, the ongoing disaster in Iraq, the stalled post-Katrina disaster relief effort, and the looming collapse of the entire global financial system, require direct Presidential action.

As Lyndon LaRouche has emphasized, a post-Dick Cheney Bush Presidency could be regrouped around a new second-in-command, and a new advisory team, comprised of a bipartisan group of senior policy specialists. Such a Presidency, albeit limited by George Bush's own severe limitations, could steer the country and the world through a period of grave crises, in partnership with a bipartisan Congressional majority.

As Lyndon LaRouche has persistently warned since August 2002, no such return to Executive Branch sanity is possible, so long as Cheney occupies the Vice Presidency.

## The Response

Cheney's handlers badly misread the political climate. While there was no shortage of Congressional outcries against President Bush's admission about the NSA spying on Americans, the focus of attention remained where it belonged: on Dick Cheney. The clearest "establishment" response came on Dec. 23, with a *New York Times* editorial called "Mr. Cheney's Imperial Presidency."

"George W. Bush has quipped several times during his political career," the editorial began, "that it would be so much easier to govern in a dictatorship. Apparently he never told his vice president that this was a joke.

"Virtually from the time he chose himself to be Mr. Bush's running mate in 2000, Dick Cheney has spearheaded an extraordinary expansion of the powers of the presidency—from writing energy policy behind closed doors with oil executives to abrogating longstanding treaties and using the 9/11 attacks as a pretext to invade Iraq, scrap the Geneva Conventions and spy on American citizens." Fortunately, the *Times* editorialized, "There are finally signs that the democratic system is trying to rein in the imperial presidency."

The only way to "rein in the imperial presidency" is to

oust Dick Cheney from office. That is a tough fight, because Cheney will not go gently. But the events of the past days signal that the fight is on, and Cheney's opponents have been forced to shed any naive notions about a gentlemanly surrender. As LaRouche said, Cheney is going to have to be "frog-marched" out of the White House.

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## Documentation

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# Administration Officials Defend Illegal Spying

### President George W. Bush. weekly radio address, Dec. 17:

As President, I took an oath to defend the Constitution, and I have no greater responsibility than to protect our people, our freedom and our way of life. . . .

To fight the war on terror, I am using authority vested in me by Congress, including the joint authorization for use of military force, which passed overwhelmingly in the first week after September the 11th. I'm also using constitutional authority vested in me as commander-in-chief. In the weeks following the terrorist attacks on our nation, I authorized the National Security Agency, consistent with U.S. law and the Constitution, to intercept the international communications of people with known links to al-Qaeda and related terrorist organizations. . . .

Yesterday, the existence of this secret program was revealed in media reports after being improperly provided to news organizations. As a result, our enemies have learned information they should not have, and the unauthorized disclosure of this effort damages our national security and puts our citizens at risk. . . . The authorization I gave the National Security Agency after September the 11th helped address that problem in a way that is fully consistent with my constitutional responsibilities and authorities. The activities I have authorized make it more likely that killers like these 9/11 hijackers will be identified and located in time.

And the activities conducted under this authorization have helped detect and prevent possible terrorist attacks in the United States and abroad. The activities I authorized are reviewed approximately every 45 days. Each review is based on a fresh intelligence assessment of terrorist threats to the continuity of our government and the threat of catastrophic damage to our homeland.

During each assessment, previous activities under the authorization are reviewed. The review includes approval by our nation's top legal officials, including the attorney general and the counsel to the President. I have reauthorized this program more than 30 times since the September the 11th attacks,

and I intend to do so for as long as our nation faces a continuing threat from al-Qaeda and related groups.

The NSA's activities under this authorization are thoroughly reviewed by the Justice Department and NSA's top legal officials. . . . Leaders in Congress have been briefed more than a dozen times on this authorization and the activities conducted under it. Intelligence officials involved in these activities also receive extensive training to ensure they perform their duties, consistent with the letter and intent of the authorization. This authorization is a vital tool in our war against the terrorists. It is critical to saving American lives.

The American people expect me to do everything under my power under our laws and Constitution to protect them and their civil liberties, and that is exactly what I will continue to do so long as I am the President of the United States. Thank you.

**Attorney General Alberto Gonzales, White House news briefing on legal issues relating to the NSA authorizations, Dec. 19:**

The President confirmed the existence of a highly classified program on Saturday. The program remains highly classified; there are many operational aspects of the program that have still not been disclosed and we want to protect that because those aspects of the program are very, very important to protect the national security of this country. So I'm only going to be talking about the legal underpinnings for what has been disclosed by the President. . . .

Now, in terms of legal authorities, the Foreign Intelligence Surveillance Act requires a court order before engaging in this kind of surveillance that I've just discussed and the President announced on Saturday, unless otherwise authorized by statute or by Congress. That's what the law requires. Our position is, that the authorization to use force, which was passed by the Congress in the days following September 11th, constitutes that other authorization, that other statute by Congress, to engage in this kind of signals intelligence. . . . [E]ven though signals intelligence is not mentioned in the authorization to use force, we believe that the Court would apply the same reasoning to recognize the authorization by Congress to engage in this kind of electronic surveillance.

I might also add that we also believe the President has the inherent authority under the Constitution, as Commander-in-Chief, to engage in this kind of activity. Signals intelligence has been a fundamental aspect of waging war since the Civil War, where we intercepted telegraphs, obviously, during the world wars, as we intercepted telegrams in and out of the United States. Signals intelligence is very important for the United States government to know what the enemy is doing, to know what the enemy is about to do. We believe that those two authorities exist to allow, permit the United States government to engage in this kind of surveillance.

**Vice President Dick Cheney, remarks to the press aboard Air Force 2, en route, Muscat, Oman, Dec. 20:**

I do have the view that over the years there had been an erosion of Presidential power and authority, that it's reflected in a number of developments—the War Powers Act, which many people believe is unconstitutional. It's never really been tested. . . . I am one of those who believe that was an infringement upon the authority of the President. The Budget Anti-Impoundment Act, back in the '70s, passed during the Ford Administration, that limited the President's authority to impound funds, a series of things Watergate—a lot of the things around Watergate and Vietnam, both, in the '70s served to erode the authority, I think, the President needs to be effective especially in a national security area.

If you want reference to an obscure text, go look at the minority views that were filed with the Iran-Contra Committee; the Iran Contra Report in about 1987. Nobody has ever read them, but we—part of the argument in Iran Contra was whether or not the President had the authority to do what was done in the Reagan years. And those of us in the minority wrote minority views, but they were actually authored by a guy working for me, for my staff, that I think are very good in laying out a robust view of the President's prerogatives with respect to the conduct of especially foreign policy and national security matters. It will give you a much broader perspective.

I served in the Congress for ten years. I've got enormous regard for the other body, Title I of the Constitution, but I do believe that, especially in the day and age we live in, the nature of the threats we face, it was true during the Cold War, as well as I think what is true now, the President of the United States needs to have his constitutional powers unimpaired, if you will, in terms of the conduct of national security policy. That's my personal view. . . .

So when you're asking about my view of the presidency, yes, I believe in a strong, robust executive authority. And I think the world we live in demands it. . . .

Either we're serious about fighting the war on terror or we're not. Either we believe that there are individuals out there doing everything they can to try to launch more attacks, to try to get ever deadlier weapons to use against, or we don't. The President and I believe very deeply that there's a hell of a threat, that it's there for anybody who wants to look at it. And that our obligation and responsibility given our job is to do everything in our power to defeat the terrorists. And that's exactly what we're doing.

But if there's anything improper or inappropriate in that, my guess is that the vast majority of the American people support that, support what we're doing. They believe we ought to be doing it, and so if there's a backlash pending, I think the backlash is going to be against those who are suggesting somehow that we shouldn't take these steps in order to protect the country.

## Rockefeller Hits Cheney And NSA Spy Program

*On Dec. 19, Sen. Jay Rockefeller (D-W.V.), the vice chairman of the Senate Select Committee on Intelligence, released the following statement regarding the White House's misrepresentation of the facts surrounding the National Security Agency (NSA) program for intercepting communications within the United States, and made public his 2003 letter to Vice President Dick Cheney, in which he expressed his concerns about this issue:*

For the last few days, I have witnessed the President, the Vice President, the Secretary of State, and the Attorney General repeatedly misrepresent the facts.

The record needs to be set clear that the Administration never afforded members briefed on the program an opportunity to either approve or disapprove the NSA program. The limited members who were told of the program were prohibited by the Administration from sharing any information about it with our colleagues, including other members of the Intelligence Committees.

At the time, I expressed my concerns to Vice President Cheney that the limited information provided to Congress was so overly restricted that it prevented members of Congress from conducting meaningful oversight of the legal and operational aspects of the program.

These concerns were never addressed, and I was prohibited from sharing my views with my colleagues.

Now that this issue has been brought out into the open, I strongly urge the Senate Intelligence Committee to immediately undertake a full investigation into the legal and operational aspects of the program, including the lack of sufficient Congressional oversight.

*The 2003 letter to Cheney was hand-written, because Rockefeller was prohibited from sharing the information with anyone, even a secretary, who would normally type a letter. Its text follows:*

July 17, 2003

Dear Mr. Vice President,

I am writing to reiterate my concern regarding the sensitive intelligence issues we discussed today with the DCI [Director of Central Intelligence], DIRNSA [Director National Security Agency], chairman Roberts and our House Intelligence Committee counterparts.

Clearly, the activities we discussed raise profound oversight issues. As you know, I am neither a technician nor an

attorney. Given the security restrictions associated with this information, and my inability to consult staff or counsel on my own, I feel unable to fully evaluate, much less endorse these activities.

As I reflected on the meeting today, and the future we face, John Poindexter's TIA [Total Information Awareness] project sprung to mind, exacerbating my concern regarding the direction the Administration is moving with regard to security, technology, and surveillance.

Without more information and the ability to draw on any independent legal or technical expertise, I simply cannot satisfy lingering concerns raised by the briefing we received.

I am retaining a copy of this letter in a sealed envelope in the secure spaces of the Senate Intelligence Committee to ensure that I have a record of this communication.

I appreciate your consideration of my views.

Most respectfully,  
Jay Rockefeller

## Bipartisan Senators Speak Out, Seek Hearings

*On Dec. 19, a bipartisan group of Senate Intelligence Committee members called for a joint inquiry by the Judiciary and Intelligence Committees into the President's authorization of domestic electronic surveillance of U.S. citizens. Sen. Diane Feinstein (D-Calif.) noted that under the Senate Intelligence Committee rules, if five members of the Committee make a request in writing to the Chairman to call a meeting of the Committee, and the Chairman fails to call such a meeting within seven calendar days thereafter, these members may call a meeting by filing a written notice with the Clerk of the Committee.*

Dear Senators,

We write to express our profound concern about recent revelations that the United States Government may have engaged in domestic electronic surveillance without appropriate legal authority. These allegations, which the President, at least in part, confirmed this weekend require immediate inquiry and action by the Senate.

We respectfully request that the Select Committee on Intelligence and the Committee on the Judiciary, which share jurisdiction and oversight of this issue, jointly undertake an inquiry into the facts and law surrounding these allegations. The overlapping jurisdiction of these two Committees is particularly critical where civil liberties and the rule of law hang in the balance.

On Saturday the President stated that he authorized the

National Security Agency, consistent with U.S. law and the Constitution, to intercept the international communications of people with known links to al-Qaeda and related terrorist organizations. It is critical that Congress determine, as quickly as possible, exactly what collection activities were authorized, what were actually undertaken, how many names and numbers were involved over what period, and what was the asserted legal authority for such activities. In sum, we must determine the facts.

Both the Judiciary and the Intelligence Committee have had numerous hearings and briefings on the authorities provided to the nation's law enforcement and intelligence agencies in their effort to defend against terrorism. We have extensively debated these issues. At no time, to our knowledge, did any Administration representative ask the Congress to consider amending existing law to permit electronic surveillance of suspected terrorists without a warrant such as outlined in the *New York Times* article.

We strongly believe that the Judiciary and Intelligence Committees should immediately seek to answer the factual and legal questions which surround these revelations, and recommend appropriate action to the Senate.

Sincerely,  
Diane Feinstein  
Carl Levin  
Chuck Hagel  
Ron Wyden  
Olympia Snowe

cc: Members of the Committee on the Judiciary Members of the Select Committee on Intelligence

**Sen. Diane Feinstein (D-Calif.), statement on the Senate floor, Dec. 16:**

Mr. President, I rise today as a 12-year member of the Senate Judiciary Committee and a 5-year member of the Senate Intelligence Committee. I do so indeed with a very heavy heart. I have had, until now, great confidence in America's intelligence activities. I have assured people time and time again that what happens at home has always been conducted in accordance with the law.

I played a role in the Patriot Act. I moved one of the critical amendments having to do with the wall and the FISA court. Today's allegations as written in the [*New York Times*] really question whether this is in fact true. I read it with a heavy heart, yet without knowing the full story.

Let me be clear. Domestic intelligence collection is governed by the Foreign Intelligence Surveillance Act, known as FISA. This law sets out a careful set of checks and balances that are designed to ensure that domestic intelligence collection is conducted in accordance with the Constitution, under the supervision of judges and with accountability to the Congress of the United States.

Specifically, FISA allows the Government to wiretap phones or to open packages, but only with a showing to a special court—the FISA court—and after meeting a legal standard that requires that the effort is based on probable cause to believe the target is an agent of a foreign power. . . . FISA is the exclusive law in this area, unless there is something I missed, and please, someone, if there is, bring it to my attention.

Section 105 (f) of FISA allows for emergency applications where time is of the essence. But even in these cases, a judge makes the final decision as to whether someone inside the United States of America, a citizen or a non-citizen, is going to have their communications wiretapped or intercepted. . . .

In times of war, FISA section 111 states this:

"Notwithstanding any other law, the President, through the Attorney General, may authorize electronic surveillance without a court order under this title to acquire foreign intelligence information for a period not to exceed 15 calendar days following a declaration of war by the Congress."

I would argue the resolution authorizing use of force was not a declaration of war. I read it this morning carefully. It does not authorize the President of the United States to do anything other than use force. It doesn't say he can wiretap people in the United States of America. And apparently, perhaps with some change, but apparently this activity has been going on unbeknownst to most of us in this body and in the other body now since 2002. . . .

In the absence of authority under FISA, Americans up till this point have been confident—and we have assured them—that such surveillance was prohibited.

This is made explicit in chapter 119 of title 18 of the criminal code which makes it a crime for any person without authorization to intentionally intercept any wire, oral, or electronic communication.

As a member of the Senate Judiciary and Intelligence Committees, I have been repeatedly assured by this administration that their efforts to combat terrorism were being conducted within the law, specifically within the parameters of the Foreign Intelligence Surveillance Act which, as I have just read, makes no exception other than 15 days following a declaration of war.

We have changed aspects of that law at the request of the Administration in the USA Patriot Act to allow for a more aggressive but still lawful defense against terror. So there have been amendments. But if this article is accurate, it calls into question the integrity and credibility of our nation's commitment to the rule of law.

I refreshed myself this morning on the fourth amendment to the Bill of Rights of the Constitution of the United States. Here is what it says:

"The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable search and seizures, shall not be violated, and no Warrants shall issue,



but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.”

Clearly an intercept, a wiretap, is a search. It is a common interpretation. A wiretap is a search. You are looking for something. It is a search. It falls under the Fourth Amendment. . . .

What is concerning me, as a member of the Intelligence Committee, is if eight people, rather than 535 people, can know there is going to be an illegal act and they were told this under an intelligence umbrella—and therefore, their lips are sealed—does that make the act any less culpable? I don’t think so.

The resolution passed after Sept. 11 gave the President specific authority to use force, including powers to prevent further terrorist acts in the form of force. . . .

This is use of force. It is not use of wiretapping or electronic surveillance of American citizens or those without citizenship within the confines of the United States. That is the jurisdiction of the FISA Court. There is a procedure, and it is timely. . . .

We are a government of law. The Congress was never asked to give the President the kind of unilateral authority that appears to have been exercised.

I was heartened when Senator Specter also said that he believed that if the *New York Times* report is true—and the fact that they have withheld the story for a year leads me to believe it is true, and I have heard no denunciation of it by the Administration—then it is inappropriate, it is a violation of the law.

How can I go out, how can any Member of this body go out, and say that under the Patriot Act we protect the rights of American citizens if, in fact, the President is not going to be bound by the law, which is the FISA court?

And there are no exceptions to the FISA court. . . .

If the President wanted this authority, he should have come to the Intelligence Committee for an amendment to FISA, and he did not.

The fact that this has been going on since 2002—it is now the end of 2005. Maybe 8 people in these 2 bodies in some way, shape, or form may have known something about it, but the rest of us on the Intelligence Committees did not.

That is simply unacceptable.

**Sen. Lindsey Graham (R-S.C.), on CBS “Face the Nation,” Dec. 18:**

The FISA Act created a court, set up by the chief justice of the United States, to allow a rapid response to requests for surveillance activity in the war on terror. I don’t know of any legal basis to go around that. There may be some, but I’m not aware of it.

And here’s the concern I have. We can’t become an outcome-based democracy. Even in a time of war, you have to follow the process, because that’s what a democracy’s all

about, a process. . . .

The bottom line is, there is a theme here. This is a bit disturbing. Remember the debate with Senator McCain about immunity? The Administration was pushing to give immunity to interrogators in the field. Well, if you allow the President to make a finding that this is a bad person and these techniques are necessary, the President would have the authority to set aside statutes like the torture statute. If you allow him to make the findings, he becomes the court.

So you cannot give any executive, Republican or Democrat, the ability to make findings to set aside statutes that exist, or play the role of the court. . . .

Here’s what I reject. Whether you’re a Republican or a Democrat in the White House, I reject the ability of any President during a time of war to make findings to set aside the torture statute and give blanket immunity to people out in the field, because that could come back and hurt our own troops in different scenarios.

I reject the idea that any President can sit down with a handful of congressman and deal the courts out if the law requires the court to be involved. . . .

I want to see the statute. I want to see the executive order. Whatever legal authority was used, I want someone to explain to me how it justified not going to a court that was set up for this very purpose. And there may be a reason. And we are at war. And I applaud the President for being aggressive. But we cannot set aside the rule of law in a time of war, because that’s what we’re fighting for in Iraq, for them to follow the law, not an outcome.

**Senate Democratic Leader Harry Reid (Nev.) on Fox News Sunday, Dec. 18:**

The President can’t pass the buck on this one. This is his program. He’s commander in chief. But commander in chief does not, I don’t think, trump the Bill of Rights. . . . Congress has not been involved in setting up this program. This is totally a program of the President and the Vice President of the United States. . . .

Bob Graham, who everyone acknowledges is one of the finest members who’s ever served in the Congress of the United States, says that he wasn’t told about it when he was chairman. . . .

This is something that’s the President, the Vice President, and there is no way he can pass the buck. The Vice President came up to talk to us one day this week. I wonder if they checked that off as one of the times that they consulted with us. There were four members of Congress there. Maybe that counts for 4 of the 12. This is the President’s responsibility and the Vice President’s, and they cannot pass the buck.

**‘Impeachable Offenses’**

**Rep. John Conyers (D-Mich.) submitted the following resolution in the House of Representatives on Dec. 18:**

## RESOLUTION

Creating a select committee to investigate the Administration's intent to go to war before congressional authorization, manipulation of pre-war intelligence, encouraging and countenancing torture, retaliating against critics, and thwarting congressional oversight, and to make recommendations regarding grounds for impeachment.

*Resolved*, That there is hereby established in the House of Representatives a select committee to be known as the Select Committee on Administration Predetermination to Go to War, Manipulation of Intelligence, Abuse of Detainees, Retaliation Against Critics, and Thwarting of Congress. . . .

## PURPOSES AND FUNCTIONS

Sec. 2. (a) The Select Committee is authorized and directed to investigate all relevant government agencies' actions and decisions relating to the Administration's intent to go to war before congressional authorization, manipulation of pre-war intelligence, encouraging and countenancing torture, retaliating against critics, and thwarting congressional oversight, including:

1. actions by the White House, National Security Council, Department of State, Department of Defense, and Central Intelligence Agency related to United Nations and Iraq Survey Group inspections of Iraq;

2. knowledge of Iraq's ability regarding and intentions toward, or lack of ability regarding or intentions toward, nuclear weapons capability;

3. knowledge regarding Iraq's possession of or attempted possession of, or regarding the lack of possession of or attempted possession of, chemical or biological weapons;

4. knowledge of Iraq's possession of aluminum tubes for conventional rocket programs or for nuclear weapons development;

5. knowledge regarding Iraq's intent, or lack of intent, toward acquiring yellowcake uranium from Niger;

6. knowledge of any involvement, or lack of involvement, by Iraq in the September 11, 2001, attacks against the United States;

7. knowledge of any connections or ties, or of any lack of connections or ties, between Iraq and al-Qaeda;

8. knowledge of any meeting, or lack of any meeting, between Iraqi intelligence officials and Mohammed Atta in

Prague, Czechoslovakia;

9. preparations for detention, interrogation and treatment of detainees, or lack thereof, made in the planning stages of the Iraq conflict prior to March 19, 2003;

10. knowledge of abuses and mistreatment of detainees during the Iraq conflict after March 19, 2003;

11. the investigation of abuses and mistreatment or lack thereof, the results of these investigations, any sanctions or punishment of offenders, and any efforts to keep these reports either from supervisors, officials or the public;

12. an examination of all prison facilities, including the High Value Detainee facility at Baghdad airport and secret prisons or "black sites," for detaining individuals outside the United States;

13. the extent to which civilian, military, or intelligence officials expressly authorized, willingly ignored, or created an atmosphere that condoned the abuse's and mistreatment that occurred at Abu Ghraib, Iraq; and

14. knowledge on the part of any White House officials of the covert identity of Valerie Plame Wilson and any discussion or communication by such officials with members of the media about such identity. . . .

**Sen. Barbara Boxer (D-Calif.) announced on Dec. 20 that she has opened an inquiry into whether Bush committed an impeachable offense in authorizing a spying program against Americans. She wrote as follows to four "Presidential scholars":**

On December 16, along with the rest of America, I learned that President Bush authorized the National Security Agency to spy on Americans without getting a warrant from a judge. President Bush underscored his support for this action in his press conference today.

On Sunday, December 18, former White House Counsel John Dean and I participated in a public discussion that covered many issues, including this surveillance. Mr. Dean, who was President Nixon's counsel at the time of Watergate, said that President Bush is "the first President to admit to an impeachable offense." Today, Mr. Dean confirmed his statement.

This startling assertion by Mr. Dean is especially poignant because he experienced first hand the executive abuse of power and a Presidential scandal arising from the surveillance of American citizens.

Given your constitutional expertise, particularly in the area of Presidential impeachment, I am writing to ask for your comments and thoughts on Mr. Dean's statement.

Unchecked surveillance of American citizens is troubling to both me and many of my constituents. I would appreciate your thoughts on this matter as soon as possible.

Sincerely,  
Barbara Boxer  
United States Senator

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# Cheney Suffers Setbacks As Congress Ends the Year

by Carl Osgood

The last two weeks of the first session of the 109th Congress were marked by repeated setbacks for Vice President Dick Cheney, from the stalling of reauthorization of the police-state U.S.A. Patriot Act, to the elimination of authorization for drilling for oil in the Arctic National Wildlife Refuge in Alaska. Even cutting short a tour of Southwest Asia to fly back to Washington to browbeat the Senate, as he did on Dec. 21, did not enable Cheney to turn back the tide. The Patriot Act reauthorization was stopped cold on Dec. 16 by a Democratic-led filibuster in the Senate, in which four Republicans participated. Both of the defense authorization and the defense appropriations bills came out of conference committee with Sen. John McCain's (R-Ariz.) anti-torture language largely intact. Finally, the Fiscal 2006 budget reconciliation bill came out less draconian than House budget cutters had demanded, though still genocidal for targeting programs that serve people in the lower 80% of income brackets in the United States.

The official word was that Cheney cut short his tour to Pakistan, Afghanistan, Egypt, and Oman, because Senate Majority Leader Bill Frist (R-Tenn.) had asked him to be available in case there were a tie vote in the Senate on the budget reconciliation bill. It is just as likely that Cheney also wanted to save the Patriot Act reauthorization. A grouping of three Democrats and three Republicans had been threatening for more than a week that they would try to block the bill, which makes permanent 12 of 16 expiring provisions, and renews the other four for four years, because the conference agreement did not address their concerns about protecting civil liberties.

Cheney and White House Chief of Staff Andrew Card had been lobbying hard for immediate passage of the bill, but the cloture vote came on the heels of revelations in the *New York Times* about illegal spying on Americans by the National Security Agency, a program that was actually run by Cheney. At least one member of the Senate, Charles Schumer (D-N.Y.), said that when he went to bed the night before, he was undecided about Patriot Act reauthorization. "Today's revelation that the government listened in on thousands of phone conversations without getting a warrant," he said, "is shocking and has greatly influenced my vote."

The Senate spent four days wrangling over what to do about the Patriot Act, and, in the end, the opponents of the

reauthorization bill succeeded in putting through a six-month extension, rather than the permanent reauthorization that Cheney wanted. However, House Judiciary Committee Chairman James Sensenbrenner (R-Wisc.) would not accept a six-month extension and, when the House met in a pro-forma session on Dec. 22, he successfully amended it to a one-month extension expiring on Feb. 3, forcing the Senate to revisit the issue.

## Cheney Loses on Torture

By far the worst defeat Cheney suffered, though, was on the issue of torture. Both of the defense bills had been held up for months while the GOP leadership in both Houses searched for some way to avoid embarrassing Cheney, and while Cheney himself was pressuring McCain to drop it, or, failing that, amend it to exempt Central Intelligence Agency interrogators. McCain never budged. In the House, Speaker Dennis Hastert (R-Ill.) avoided, as long as he could, appointing House members of the conference committee, in order to delay a vote on a motion that everybody knew was coming. That motion, made by Rep. John Murtha (D-Penn.), who has completely redefined the debate on the U.S. war in Iraq over the past month, with his call for a swift U.S. withdrawal, was to instruct the House conferees to agree to the Senate amendment on torture.

When that finally happened, on Dec. 14, the House voted 308 to 122, with 107 Republicans voting "yea," in favor of Murtha's motion. The following day, with Cheney nowhere in sight, McCain and Senate Armed Services Committee Chairman John Warner (R-Va.) struck a deal with President Bush which added certain legal protections for civilian interrogators, but otherwise left McCain's language intact. Both bills then emerged from conference committee on Dec. 18, with the agreement between Bush and McCain included.

## Brinksmanship

That did not mean smooth sailing for the defense appropriations bill, however. A game of political brinksmanship emerged on the bill when Sen. Ted Stevens (R-Ak.) used his position as chairman of the Senate Defense Appropriations subcommittee to attach a measure allowing oil drilling in the Arctic National Wildlife Refuge (ANWR) in Alaska. While House Democrats could do little about it, the Senate exploded



EIRNS/Dan Sturman

*The budget agreed to by the House-Senate conference committee, driven by cost-accounting rather than the service of the general welfare, cuts billions from Medicaid and Medicare, the programs serving the elderly and disabled.*

in pandemonium. Democrats there charged that Stevens's little maneuver violated Senate Rule 28, which prohibits adding extraneous matter to a conference report that had not been considered in either House.

Senate Minority Leader Harry Reid (D-Nev.) angrily denounced Stevens's maneuver on the floor of the Senate on Dec. 18. He accused the Republican leadership of attempting to impose "the most cynical and I believe abusive practice" on the Senate, and if it were to succeed, it "has the potential of changing the way this body operates forever." He noted that the rules are written to preclude the possibility of attaching legislation to a bill that would not otherwise pass in either House. "But the Republicans in Congress and the White House simply do not care about rules and they break them when it suits their interests," he said.

Reid's denunciation set up the most contentious confrontation since the failure of Dick Cheney's nuclear option last April, when a bipartisan group of Senators banded together to defend the institution of the Senate against Cheney's attempt to turn it into a rubber stamp on judicial nominations. In fact, Democrats, including Sen. Robert Byrd (D-W.Va.), one of the leaders of that bipartisan group, over the next three days would liken Stevens's maneuver to Cheney's nuclear option. "This is a dark day in the history of the American constitutional form of government," Reid told reporters, the evening of Dec. 18.

### Defending the Rules of the Senate

Originally, Republicans had been planning to include drilling in ANWR in the budget reconciliation bill, which, because of the special procedures under which reconciliation bills are considered, could not be filibustered in the Senate. While the Senate passed its version of the budget bill with

ANWR, the plan ran into problems in the House, however, when a group of about two dozen moderate Republicans threatened to vote against the bill if it included the ANWR provision. Acting House Majority Leader Roy Blunt (R-Mo.) backed down and passed the bill through the House without the ANWR provision in it.

With the defense appropriations bill being one of the last on the agenda, Stevens agreed to the removal of the ANWR provision from the budget bill, on condition that he be allowed to attach it to the defense bill. He then rewrote the provision so that the Federal revenues expected from ANWR drilling would go into Hurricane Katrina relief, with the intent of making it even more difficult for Democratic Senators to vote against it. If that were not enough, Stevens even added language to re-instate Senate Rule 28, once a ruling that the provision was in violation of the rules was overturned by a majority vote—a vote he clearly expected to win.

The bill came up for debate and a cloture vote on Dec. 21. Byrd gave an impassioned speech in defense of the Senate's rules, arguing that if the Senate voted to violate Rule 28, "nothing would stand in the way of a majority, be it Republican or be it Democrat, from routinely negating and replacing Senate Rule 28 in order to insert controversial legislation into a conference report." He warned that doing so would come with a terrible price. "This institution and the liberties its rules protect must come first . . . before political party, whatever it may be, and before legislative maneuvering," he said. "Those battles are fleeting, but the Senate must stand forever."

Byrd's view prevailed, with the vote on cloture coming out to 56 to 44, 4 votes short of the 60 required to close debate. Afterwards, Stevens relented, allowing the Senate to pass, on a 48 to 45 vote, a resolution, sponsored by Sen. Maria Cantwell (D-Wash.), pulling the disputed sections out of the bill, and sending it back to the House for its approval, which it gave on Dec. 22.

With the bill's passage, Louisiana and Mississippi lawmakers gained a major victory, because included in the bill is a \$29 billion hurricane relief package, which is a reprogramming of funds originally appropriated to the Federal Emergency Management Agency (FEMA), but not spent by that agency. The package was crafted by Senate Appropriations Committee Chairman Thad Cochran (R-Miss.). Cochran was backed on that effort by the Louisiana delegation and a lobbying effort by Mississippi Gov. Haley Barbour (R). Cochran told the Senate on Dec. 19, that the money in the bill "is made available immediately upon passage for distribution to those who need help the most, and it is urgent." Cochran's hurricane relief provisions are not affected by Cantwell's resolution. The money Stevens's ANWR provision would have directed towards Hurricane Katrina relief was for a new fund created by that provision.

The Senate, in spite of the brinksmanship, acted in relative daylight, compared to what happened in the House. Not only was the conference report on the defense spending bill written

in the middle of the night, but so, too, were the conference reports on the defense authorization bill, and the budget reconciliation bill. They were released late on Dec. 18, and the House voted on all three of them between 1:00 a.m. and 6:00 a.m. on Dec. 19, and then adjourned at 6:30 a.m. to hightail it out of town for the Christmas recess. As Sen. Richard Durbin (D-Ill.) would later point out, the three bills together were over 4,000 pages in length, guaranteeing that hardly anybody in the House knew what they were voting on in the wee hours of Monday morning.

## Gouging the Poor and Sick

Minor changes were made to the budget bill by the conference committee, which reduced it from the House-passed \$50 billion to \$39.7 billion in net reduced spending over five years. The conference committee excluded the provision that would have reduced spending on food stamps by almost \$800 million, primarily by reducing the number of people eligible for the program. The bill cuts \$6.9 billion out of Medicaid, which was \$4.5 billion less than the House wanted, and \$6.4 billion from Medicare, which the House originally did not touch, while the Senate had proposed a cut of \$5 billion. The Medicaid cuts are partially achieved by increasing costs by beneficiaries and giving states more flexibility to deny coverage for certain treatments.

The bill also reduces spending on student loans by \$12.7 billion, mostly by increasing interest rates and fees paid by students and by reducing subsidies to lenders. The House passed the bill on a 212 to 206 vote, with every Democrat and nine Republicans voting against it. Many Democrats noted that calling the bill "The Deficit Reduction Act," was a misnomer, since it is part of a reconciliation package that includes \$56 billion in tax cuts. Combined, the two bills will have a negative effect on the budget deficit.

As with the defense appropriations bill, the budget bill ran into problems in the Senate. Dick Cheney was called in to cast the tie-breaking vote on the bill, which passed 51 to 50, but Sen. Kent Conrad (D-N.D.), the ranking Democrat on the Senate Budget Committee, succeeded in getting three provisions struck from the legislation, because they were in violation of the budget rules, which prohibit language that doesn't save or spend money, thereby sending the bill back to the House.

While it was initially reported that the House could act on it in its pro forma session scheduled for Dec. 22, House Minority Leader Nancy Pelosi (D-Calif.) torpedoed that idea. "Every single House Democrat opposed this immoral bill because of the harmful cuts in student loans, health care, child support enforcement, and other assistance for seniors and low- and middle-income families," Pelosi wrote, in a letter to Speaker Hastert. She noted that a Democratic motion, to instruct conferees to agree to the Senate amendment on these cuts, passed by a vote of 246 to 175, with 46 Republicans joining the Democrats. Pelosi also noted that "allowing the

House to review the legislation again, with the Senate's changes, will give the American people and members on both sides of the aisle the opportunity to fully scrutinize the massive impact of this bill," which, of course, did not happen when the House voted on the bill in the dead of night. The budget bill, Pelosi concluded, "fails the moral test, by slashing assistance to the middle class and our most vulnerable citizens for the sole purpose of giving more tax breaks to the wealthiest of our nation."

The problem with the entire process, however, is that it is being driven by arbitrary accounting requirements composed by the budget committees in the House and Senate. Those accounting requirements demand that the "books are balanced," no matter what the cost to both the economy, and human beings! Add to this a major element of corruption, in which "shareholder values" are also a determining factor, as evidenced by tax cuts that give multi-millionaires breaks that amount to as much as tens of thousands of dollars a year, whereas a worker in the lower income brackets will hardly see a difference in his tax bill, but is seeing a downward ratcheting in his standard of living. The actual requirements of the Constitutional mandate to provide for the general welfare are not the basis for the budget, as it is presently implemented. Rather, the requirements of the budget are dictating whether the general welfare needs of the nation are to be met or not.

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# Cheney and DeLay, Joined at the Hip

by Anton Chaitkin

No one should have been surprised when Dick Cheney rushed off to Houston to keynote the Dec. 5 fundraiser for Tom DeLay. An *EIR* investigation has revealed that the embattled Vice President and the indicted former House Majority Leader are virtually joined at the hip.

Study the chart accompanying this article, and you will see that the “DeLay, Inc.” machine of lobbyists, former DeLay staffers and complicit Congressmen, and the Cheney cabal steering the Administration, are one seamless dirty apparatus, serving common financier sponsors—as must become increasingly apparent to the Federal prosecutors and investigators now swarming all over the two men’s enterprises.

Vice President Cheney and President Bush took office in January 2001, while corporate energy pirates led by Enron and Reliant Energy were looting astronomical sums from California electricity users, under new state energy-deregulation laws. Dick Cheney was immediately appointed chairman of a White House Energy Task Force (National Energy Policy Development Group) to formulate national policy and deal with the crisis.

California Gov. Gray Davis (D) pleaded for Federal intervention to stop the crippling and bankrupting of his state. Cheney coldly replied that the cause of the crisis was that deregulation had not gone far enough! Now with outright Federal protection for the scheme, ten-fold electricity price rises netted some \$50-\$100 billion for the pirates and their banker sponsors, before the game crashed.

This scheme depended on the power axis running between Tom DeLay and Dick Cheney.

After Representative DeLay of Houston became House Republican Whip in 1994, the Houston-based Enron Corporation itself hosted the first fundraising event to give birth to DeLay’s Americans for a Republican Majority (ARM-PAC). This financing vehicle was used to build up DeLay as dictator of the House of Representatives. The founding Enron event raised \$280,000; Enron CEO Ken Lay subsequently gave ARMPAC an acknowledged \$50,000 and Enron Vice Chairman Joseph Sutton gave another \$25,000.

In 1997, DeLay bid for control of the House of Representatives, with the unsuccessful attempt to overthrow Speaker Newt Gingrich and install DeLay ally Bill Paxon (R-N.Y.) as Speaker.

Enron now advanced large sums to create an extended DeLay machine. At DeLay’s request, Enron gave \$750,000

to launch a new private lobbying company, Alexander Strategy Group, to be headed by DeLay’s chief of staff Ed Buckham, with other DeLay men as partners. A.S. Group paid Tom’s wife Christine DeLay a \$40,000 salary to manage ARMPAC.

DeLay, the new firm, and Enron together created a front called Americans for Affordable Electricity (chaired by Bill Paxon, former DeLay Congressional cohort turned lobbyist), which spent lavishly to promote deregulation of electricity.

On this pivot, by 1999, DeLay ruled the House with his brazen K Street Project: the financier-driven combination of lobbyists and rightist faction leaders, including hordes of former DeLay staff members in private positions. Corporate donors, herders of voters, and legislative leaders became a single unit unlike anything in American history.

The DeLay Project was put together by Jack Abramoff, Grover Norquist, and Ralph Reed, three political operatives in partnership since 1981. This trio’s joint dirty deeds, in conjunction with DeLay, have recently splashed into national headlines, as indictments have multiplied. Note that by 1997, Ralph Reed had been hired directly by Enron to promote the energy deregulation scheme alongside DeLay, Buckham, and Paxon.

## The Cheney-DeLay Axis

The 2001 inauguration of Bush and Cheney finally gave all-out national power to the sponsors of this established apparatus. The regime’s underlying political structure can be glimpsed by a close look at the Cheney entourage, through and after the period of the California looting crisis.

Cheney and his backer, financiers’ representative George Shultz, together designated the makeup of the projected administration, including choosing Cheney himself as Bush’s running mate.

Handling relations to Congress for the transition team was **David Gribben**, Cheney’s high school friend who had been aide to Secretary of Defense Cheney (1989-93), and government liaison for Halliburton Corporation under Cheney as its CEO (1995-2000).

Gribben was uniquely qualified to manage the assembly of the Cheney-DeLay axis. He is reportedly an insider at the headquarters of The Fellowship, the far-right religious manipulation agency set up by the London-Wall Street oligarchy in the Hitler era; this is the group that runs the National Prayer Breakfast. When Tom DeLay entered Congress as a sorry drunk in 1985, The Fellowship captured him and set former Nixon dirty-trickster Charles Colson as DeLay’s personal guru, in exchange for a career pushing apocalyptic initiatives by Cheney and his friends. Fellowship-affiliated power brokers include Ralph Reed, whose Christian Coalition mouthpiece Pat Robertson was manufactured by the Fellowship; the regime’s first Attorney General, John Ashcroft, who at several



tomdelay.house.gov

*Tom DeLay, the former House Majority Leader, indicted on corruption charges. His personal machine of lobbyists and staffers forms one seamless web with the Cheney cabal in the White House.*

points intervened to save DeLay and Abramoff; and various kooky military men and agencies under the Cheney-Rumsfeld Pentagon leadership.

Cheney has more or less lived on Capitol Hill during his reign. The DeLay connection overshadows the Vice President's limited Constitutional role as President of the Senate, and has helped sustain Cheney as de facto boss of Washington.

When David Gribben left after the 2001 Inauguration, **Nancy Dorn** took over as the Vice President's all-important director of liaison to the Senate and House. A professional lobbyist, Dorn had immediately before been a member of the DeLay inner council, known as his "Kitchen Cabinet," with Abramoff, Norquist, Paxon, and other worthies. Dorn now served in the Vice President's office alongside Cheney chief of staff Lewis Libby, who has since been indicted in the probe of Cheney's operations relating to the Valerie Plame Wilson affair.

Nancy Dorn's deputy, Stephen Ruhlen, ran day-to-day relations on the House side. Records released in the leadup to Abramoff's indictment show that the Abramoff team met directly with Ruhlen as a channel to the Administration. In 2003, after Cheney oversaw the California crisis for the energy pirates and the Wall Street bankers behind them, JP Morgan Chase was fined \$135 million for its management of the Enron scams. Ruhlen left Cheney's office in 2003 and became head of JP Morgan Chase's Washington lobbying bureau.

## The Informal Government

Here we see the informal arrangements of extra-Constitutional government. For example, Mrs. Lea Berman was social director for Dick Cheney and his wife, Lynne, in 2001-02. The next year, Mrs. Berman served as Lynne Cheney's chief of staff. (She is currently White House Social Director.) Meanwhile, Mrs. Berman's lobbyist husband **Wayne Berman** was a member of DeLay's Kitchen Cabinet, representing powerful financiers such as Lazard Frères and London's Jardine and Lloyds, through DeLay to the U.S. Congress.

Wayne Berman was later installed as chairman of the Federalist Group lobbying firm, part of the K Street Project and a center for some veterans of the California crisis. Berman's partner **Drew Maloney** left DeLay's staff to join the Federalist Group in 2002. Maloney immediately arranged to take checks for \$30,000 from Reliant Energy for DeLay's use in Texans for a Republican Majority (TRMPAC), a spin-off from the DeLay-Enron ARMPAC. (DeLay has been indicted for laundering corporate money to TRMPAC.) At the Federalist Group,

Maloney began convening regular meetings of former Tom staff members ensconced along the K Street lobbying corridor.

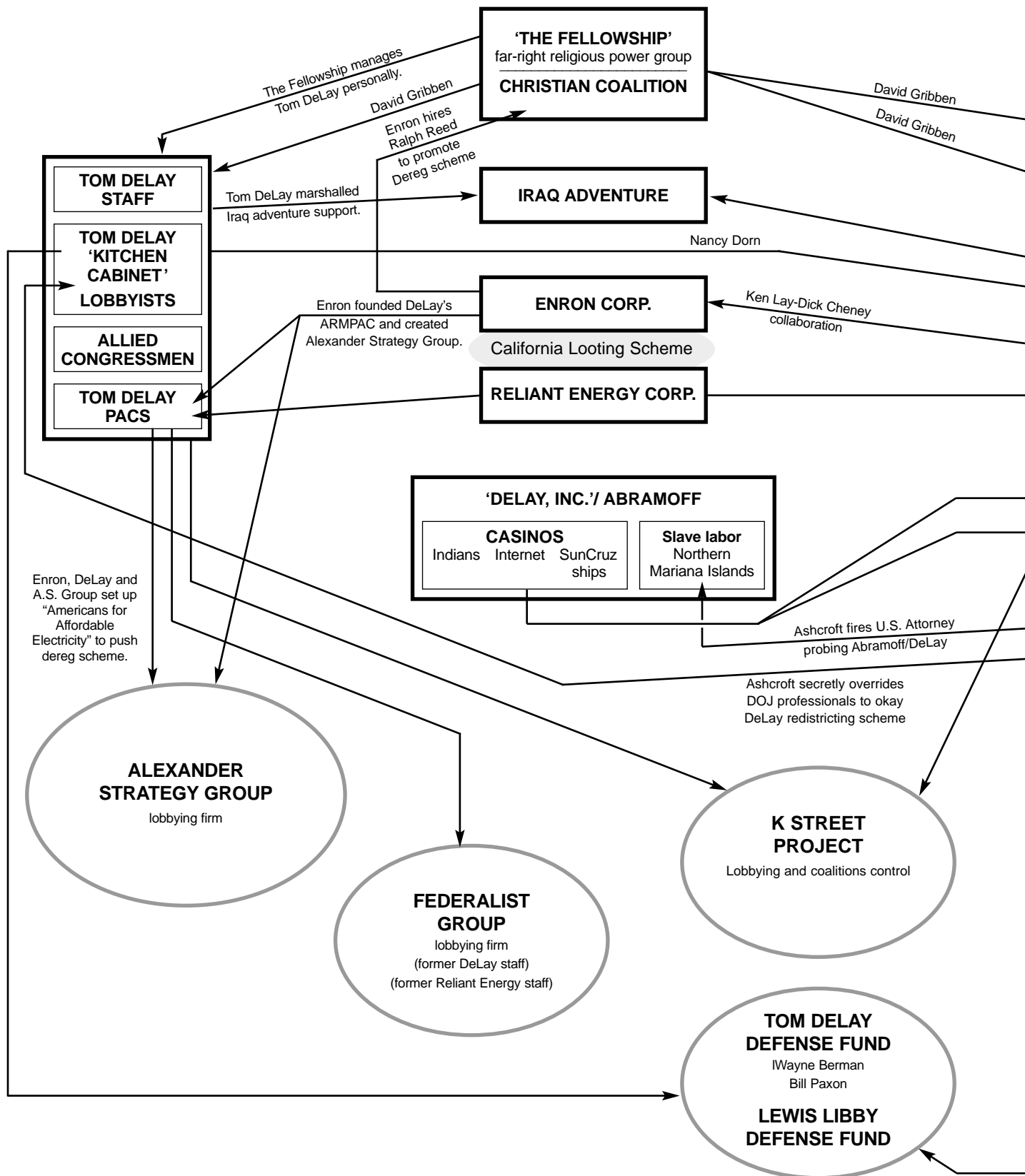
**Chris Giblin** is another partner under Wayne Berman. Just before joining the Federalist Group, Giblin had worked for Reliant Energy for five years, as head of the firm's Washington office, personally managing the company's California crisis alongside Cheney and DeLay.

Reliant Energy's operatives have been shown, through published telephone transcripts, to have conspired to shut down power plants to force up electricity prices to California customers. Diane Allbaugh was a paid lobbyist for Reliant Energy. Her husband, Federal Emergency Management Agency (FEMA) head **Joe Allbaugh**, was a member of Dick Cheney's Energy Task Force. Allbaugh was briefed in detail on the ongoing California cataclysm and aided Cheney in squelching action to block the looters.

Energy Task Force Chairman Cheney meanwhile met repeatedly with Enron representatives. Enron CEO Ken Lay is so far the only corporate chief executive who is known to have met privately with Cheney in connection with the Task Force. Cheney has fought desperately to keep secret the transcripts, and even the identities, of the corporations and officials who met with his Task Force.

## The Flames Licking Around Cheney's Feet

Dedicated Federal investigators are now delving into the collective misdeeds of DeLay, Abramoff, Norquist, and their partners at Alexander Strategy Group and else-







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## In Memoriam

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# Eugene McCarthy: He Acted To Restore Our Nation's Purpose

by Nina Ogden

On Dec. 10, Sen. Eugene J. McCarthy, the dear friend of Lyndon LaRouche and his movement, died peacefully in his sleep at the age of 89. In 2002, when he began to struggle with Parkinson's disease, McCarthy had reluctantly moved to a retirement home in the Georgetown neighborhood of Washington, D.C., which he typically referred to as a "cruise ship on the River Styx."

It is truly poetic justice that Gene McCarthy's death has unleashed the image of the power of a youth movement challenging the legitimacy of an administration's unjust war.

On Nov. 30, 1967, expressing his concern that "the Administration seems to have set no limits on the price that it will pay for military victory," the Senator from Minnesota announced that he would challenge President Lyndon Johnson for the nomination of their own Democratic Party. He said in his announcement: "The issue of the war in Vietnam is not a separate issue, but is one which must be dealt with in the configuration of problems in which it occurs. It is within this context that I intend to take the case to the people of the United States." He emphasized, "I am hopeful that a challenge may alleviate the sense of political helplessness and restore to many people a belief in the processes of American politics and of American government." He once told this writer, "I was trying to avoid the debacle of a French Revolution."

### McCarthy and LaRouche

In the last decade of his life, Gene McCarthy enjoyed a fruitful association with Lyndon LaRouche and his associates. When asked to sign an open letter calling for LaRouche's exoneration, after his unjust imprisonment in 1989, McCarthy said, "How could I not add my name in defense of a man who



EIRNS/Stewart Lewis

McCarthy at the "Ad Hoc Democratic Party Platform Hearings" of LaRouche's Committee for a New Bretton Woods, June 22, 2000.

has brought Plato and Schiller back into politics—and was sent to jail for it."

He was a distinguished panelist in the June 2000 Ad Hoc Democratic Party Platform Hearings sponsored by LaRouche's Committee for a New Bretton Woods. From 2001 to 2004, McCarthy contributed a column to LaRouche's *New Federalist* newspaper titled, "The American Bestiary," which characterized the utterings of political spin doctors with examples of common and rare animals from medieval manuscripts. In 2003, *EIR* published this writer's three-part interview with Senator McCarthy.

McCarthy and LaRouche enjoyed numerous in-depth discussions. One meeting between the two irreverent wits occurred when LaRouche visited his friend in the hospital. Visitors and nurses poked their noses in the door wondering at the rollicking laughter echoing from that hospital room.

But it was the LaRouche Youth Movement, whose progress he followed with intense interest, that really sparked a hope in the future for Gene McCarthy. After hearing about the latest breakthroughs and adventures of the LYM, he would say, "Those kids are trying to overthrow my fine Irish pessimism."

### The Boston Convention

Therefore, it seems appropriate to honor his passing by quoting from the statement he gave to the LaRouche Youth Movement to be read at that turning point in history, the LYM Press Conference at the Boston Convention on July 25, 2004, following their exclusion by the Democratic Party.

"When I heard that the discredited Homeland Security Agency excluded the LaRouche Youth Movement from the

Convention premises, I was amazed. When I heard that the DNC [Democratic National Committee] did not act to protest the exclusion, I was, unfortunately, not surprised.

"Until today, I thought that the worst that could be done to a youth movement had been done to our own, in Chicago, at the 1968 Convention. . . .

"Now, we have been living through the tragic results of the demoralization of the Baby-Boomer generation. Shouldn't the DNC understand that the future of a country, let alone a party, depends on the development of the youth movement of today?

"In Bill Clinton's book, he says that when he was a student, and didn't have the proper shoes to wear to a meeting of some sort, I lent him my shoes. Let me give the youth at this press conference something less material, and perhaps more useful—my outrage at their exclusion and my support for their mission. Let me be a part of their mission."

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## Interview: Sen. Eugene McCarthy

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# Back to the Bestiary

*Right after the 2004 Presidential election, when George W. Bush was declared the winner and most of the Democratic Party was lying on the floor in a pool of tears, Nina Ogden interviewed Sen. Eugene McCarthy on Nov. 5, whose hilarious characterization of George Bush, Karl Rove, and their "supporters" is even more true now than it was then.*

**McCarthy:** Well, Bush has his mandate. The Karl Rove Republican specialists dragged it in for him and when he went out and wiped his feet on the doormat in front of the White House on Election Day there it was, under the doormat—his mandate.

**EIR:** What did they bring him?

**McCarthy:** The slough-pumpers.

**EIR:** Who slew what?

**McCarthy:** The slough-pumpers. In a time like this, we have to go back to the Bestiary.

**EIR:** Okay—I see. What kind of creature is a slough-pumper? Is it fish or fowl?

**McCarthy:** Fowl. Definitely very foul.

**EIR:** Okay. I looked it up. It says it's the *botaurus lentiginosus*, the American bittern.

**McCarthy:** *Botaurus*. . . . Oh, the Latin name. Well, the slough-pumper doesn't speak Latin, but Karl Rove hoped

they'd listen to it in their peculiar habitat.

**EIR:** What is their habitat and what do they sound like?

**McCarthy:** Well, they don't sound like anything else you've ever heard. Rove told Bush their call was "man-date, man-date." Maybe they're speaking in tongues.

**EIR:** It really says here in the literature, "The male's resounding breeding call sounds more mechanical than biological. Owing to their strange calls and penchant for living in desolate wetlands, they were considered evil omens. . . ."

**McCarthy:** Wetlands! They live in sloughs, swamps, marshes, places where the farmland is reverting to the primordial ooze! They have very short legs and underdeveloped brains, but since they are bad at catching fish, they are very good buggers.

**EIR:** It says here in the literature, "When frightened, the bittern points its bill skyward, relying on its striped breast to hide. It sways with the wind and looks forward to danger."

**McCarthy:** Sure, that's why Karl Rove's Republican hunting and gathering specialists brought them in for the mandate. But, you know, they hide in the short grass, so the Democratic specialists didn't know they were there.

**EIR:** Yeah, it says that in Minnesota, they lure males into live traps using mirrors and recordings. That's what it really says in the bird literature.

**McCarthy:** Sure, you can always rely on metaphor in a crisis, and we're really on a roll here.

**EIR:** No kidding! It says that John James Audubon reported, "When I have suddenly come upon them, they have stood still from mere terror, until I have knocked them down with an oar or a stick. Their movements were so sluggish as to give opportunities of easily shooting them."

**McCarthy:** I'm sure he found out how worthless they are. They taste terrible. If you're really hungry, you can eat a mud hen, which tastes really horrible. If you are absolutely desperate, you can eat a slough-pumper, but it won't really help you.

**EIR:** What are they good for?

**McCarthy:** Nothing really—Maybe in honor of his faith-based initiatives, Bush should replace the eagle in the Great Seal with the slough-pumper. There he would be, in the center of the Seal—paralyzed with fear, hidden in the swamp grass, his scrawny neck pointed up to the heavens, hoping for a plague of locusts and grasshoppers to fall into his open beak.

**EIR:** It says that other folk names for the American bittern are: Hell driver, fool fowl, water belcher, pile driver, thunder pumper, shiti-poke. . . .

**McCarthy:** Isn't metaphor wonderful?

# Art and Science: Charting the Course For the Post-Cheney Era

*The LaRouche Show host Harley Schlanger welcomed Lyndon LaRouche, who spoke from Erbenheim in Germany, as his guest on Dec. 17, along with LaRouche Youth Movement panelists Riana St. Classis, Cody Jones, and Jason Ross. The LaRouche Show is archived at [www.larouchepub.com/radio/index.html](http://www.larouchepub.com/radio/index.html).*

**Harley Schlanger:** . . . This has been an especially bad week for Vice President Dick Cheney. And that's good news for our nation and the world. The Vice President in charge of torture, and now apparently, domestic spying, suffered a one-two punch this week, as his effort to make torture part of U.S. policy was defeated decisively by a bipartisan alliance in the Congress. Then, the very next day, yesterday, his drive to extend the Patriot Act, under which domestic spying has been revived, was defeated—and, again, by a bipartisan coalition.

Our guest today, is the intellectual driving force behind the succession of bad days and defeats administered to Cheney and the neo-cons. He's also pressing ahead with a second flank, organizing to reverse the now 35-year descent into a post-industrial New Dark Age. Coming out with a soon-to-be-published paper, "The Principle of 'Power,'" which he composed in collaboration with members of the LaRouche Youth Movement [*EIR*, Dec. 23]; then again, this morning (this is a very busy man we have with us), he released a memo on the subject "Rebuilding the U.S.A.: Travel Among Cities."

I'm talking, of course, about Lyndon LaRouche. And we'll be joined later by a panel of LaRouche Youth Movement members who participated in the project with Mr. LaRouche: We'll have on with us today, Cody Jones, Jason Ross, and Riana St. Classis.

So, we'll begin by welcoming to The LaRouche Show, Lyndon LaRouche. How are you today, Lyn?

**Lyndon LaRouche:** Well, I think I'm probably alive and fairly well.

## A Bad Week for Cheney

**Schlanger:** Lyn, this has been a very bad week for Dick Cheney. Give us the story from your perspective on these developments.

**LaRouche:** Well, there are a whole series of things. You know, actually, on Nov. 9 of last year, we found a Democratic Party which was about to give up the ghost for the time being,



EIRNS/Stuart Lewis

*House Minority Leader Nancy Pelosi "played a signal role" by announcing a Democratic initiative to save the economy, by moving ahead with an industrial-based development program.*

after the events of Nov. 2. And I began to kick a bit (as I am prone to do), and we got the Democratic Party, or some of them, moving, and we got the whole party pretty much moving in short order, so that, in point of fact, that the George W. Bush, Jr. Administration, the second administration, has actually been a lame-duck administration in the making from the beginning of the second inauguration. It really never got off the ground. But a lot of things that had been started in the first Bush Administration, rather ugly things, such as the war in Iraq, and other things of that sort, kept catching up. We weren't rid of it.

But, we're now at the point, that you can say, probably, that Rumsfeld is on the way out; he's as good as gone, and knows it. So, about the time that the first quarter of 2006 comes to an end, Rumsfeld will probably be out by that time. And that's all, in a sense, in the program.

You have, also now, a process of a White House which is becoming pretty much of a barren land. You've got the President in the Oval Office and a few old hands there hanging on. But there's not much activity going on there. He's going to be giving an address which won't mean much—make a

fool of himself. And, Cheney's out travelling.

And Cheney's in deep trouble—for a whole series of reasons, not because of this or that, or the Congress. What's happening is, there's been a buildup, first in the Senate, of resistance to Bush's plans to rob Social Security. That got jammed up. Then, at a later point, you had this DeLay process—DeLay got into trouble, and the Republican Administration's control over the House of Representatives began to weaken. And now, you have a situation where both houses of the Congress are in a process of resistance to this Administration: the torture business; one fraud after the other perpetrated largely under the direction of Dick Cheney. Dick Cheney's in trouble—he's lost Libby. The neo-cons who were the big funders from Hollinger Corp., who were funding the neo-cons—the head neo-con, Conrad Black is in deep trouble in a Chicago court. Things of that sort.

So, the problem now, is not how do we defeat Bush, Cheney, and so forth; that's already in process. The question is, how do we get started on the things that have to be started now? In other words, we have an impasse, in which the Bush-Cheney Administration is a failure, and there's no sign that it's going to be anything but a failure from here on in. But on the other hand, we have the forces of a bipartisan group which is taking shape, the overwhelming majority of Democratic Representatives and some Republicans, constituting a majority, really in both houses of Congress.

We've not yet got our act together. We have not yet got the Executive branch orders which have to be shaped, to deal with what is oncoming as the most dangerous international financial collapse in modern history. It's coming on fast.

## LaRouche vs. Rohatyn

**Schlanger:** Well, there've been some dramatic events on that just in this last week to ten days. There was Nancy Pelosi's speech at Harvard [EIR, Dec. 16]. And then, your old synarchist adversary, Felix Rohatyn, took to the pages of the *Washington Post* to try to block the momentum behind your initiatives in the Congress, to reorganize the financial system and to restore an FDR-style approach to rebuilding infrastructure. How do you see this battle unfolding?

**LaRouche:** Well, there are actually three figures in the battle outside the members of the Congress: One is me; that I've been pushing for measures which I think are absolutely indispensable, to keep the world from going into a dark age, among other things, but to deal with this onrushing, general financial crisis—worldwide: not just the United States, not just the United States and Europe, not just the Americas and Europe, but worldwide. There's no part of the world, that can survive, successfully, for the coming two generations, unless certain initiatives come from the United States.

So, my main concern is to get those economic reforms in place, and to get the Congress mobilized behind it, to get other institutions, and hopefully get the Executive branch moving on this, now, quickly. Because the crash is coming on fast.



*Former Federal Reserve chairman Paul Volcker agrees with LaRouche on the need for monetary and related reform—in opposition to Felix Rohatyn.*

It's already in process. It's not something that is going to "start" to happen, it is now happening. We're now in a crash. We're in a slide down, and we're about to go off the cliff.

So, I have my proposals. One of these proposals in a sense was satisfied by what Nancy Pelosi did, the leader of the House of Representatives, the Democratic leader; who, in her Harvard address, made what I've characterized as a new Tennis Court Oath, referring to the Marquis de Lafayette's proposal for a constitutional reform in France, during May-June of 1789. But that didn't happen, and other things did happen, and France went to hell. But we were close at that point, where, there is a revolt in the institutions, for which Nancy Pelosi played a signal role in announcing this, with that announcement, that we are now moving to try to save the economy, by a mobilization of measures which will get this economy out of the depression and moving ahead with an industrial-based development program.

So, that's where we stand.

The other thing, is, we have Paul Volcker, the former Federal Reserve chairman, who has been moving on this issue with his own ideas. They're pro-American—I don't agree with him, but I agree with him against Rohatyn.

Rohatyn is actually a European fascist. He's what we call technically, a synarchist banker. He has no particular loyalties to the United States, though he does attach himself, like a flea, to the Democratic Party. But, he's on the other side.

So, you have the three of us, who are outside the Congress—myself, Paul Volcker, and Felix Rohatyn the fascist—and we are in a sense, the ones who are pushing various kinds of approaches to general monetary and related reform. And you have people in the Congress who are moving ahead,



Liu Jin

*The automotive industry is capable of using its idle capacity to rebuild our transportation grid: airlines, rail, etc., including magnetic-levitation high-speed rails, like China's maglev (shown here), linking Shanghai to its airport.*

around the idea of saving the auto industry, saving other industries, going ahead with programs which will replace some of the auto production with other kinds of production of things we need. For example, we need a rail system. We've lost our rail system, we need a rail system. We could build it. The automotive industry is capable of using its idle capacity to rebuild that. We need to rebuild the airline system. We need a rail system which includes things like magnetic-levitation high-speed rails, so we get a more rational relationship between air travel and highway travel and train travel.

We need to reform our river systems, our canal systems; they're breaking down. Our power systems are breaking down. These are all things in which the auto industry's machine-tool-design capability, and production capacity, combined, would help us fill a lot of these gaps that have to be filled. They would also ensure that we kept intact the production potential which the auto industry represents.

So, there's a lot of discussion about this kind of thing, among the three of us, the three rivals: myself, Paul Volcker, and Rohatyn. And of course, Paul [Volcker] and I will tend to converge on agreement on some of this, against Rohatyn.

**Schlanger:** Well, your initiative this morning, to draft this memo on the rebuilding around the transport system, I assume that you had some idea in there of a commission in the Congress, since the White House doesn't function. How do you see that unfolding?

**LaRouche:** Well, first of all, what we need is this: We have, between General Motors and Ford and other things associated with them, like Delphi and so forth—here we have, outside our aerospace sector, which includes NASA, which includes the aircraft industry, our machine-tool capacity, of the entire nation, is concentrated in the automobile industry and its affiliates. This capacity represents a tremendous

amount of potential. Actually, the industry—General Motors and Ford combined—have much more capacity than we are presently utilizing, for production. But it also has a vital machine-tool design capability, without which this nation becomes a Third World economy.

Therefore, the point is, we need a rail system; we are no longer a united nation. You can not get into an airport someplace, or a train station, and get to some other part of the country by buying a ticket or group of tickets. That's vanishing! We've lost most of our rail system. We're losing our air-travel system. We're losing our barge and river system, as in the case of what's happened down in New Orleans, at the mouth of the Mississippi. Therefore, we've got to rebuild this, which is collapsing out of neglect and attrition over a period of nearly 40 years!

Now, the automobile industry, which makes automobiles, also has the capacity, using its millions of square feet of construction capacity, to make, within a course of even a year, completely new designs of new products that we need! For example, one of the things is to convert the auto industry to a kind of hybrid engine, to convert the entire structure of how we build, design automobiles; to rebuild our rail system; to improve our air-transit system; to fix up our rivers, that is, the things that go with fixing up the rivers and canals, and things like that.

What my proposal is, we put this whole capacity, this whole idea, into one Federal package, and create an entity which is responsible for using government-generated credit, to ensure that things that have to be done anyway, like supplying our power plants, rebuilding our rail systems, maintaining our water systems—including drinking water, for example—that these things be in one package which use the same capability, these millions of square feet of idle capacity, the employees who are now making automobiles, or should be making them, the machine-tool designers, who are essential to anything. And take this one package, and bring this economy with one fell swoop out of where it is now, as operating *way below breakeven*—if you look at our unpaid foreign debts and things like that, we're operating *way below breakeven*. Get above breakeven. And we can do it, by taking this section of our economy, putting it, temporarily, under government subsidy; in a sense, use this capability and expand now, and get moving back to becoming a real industrial power again, and not a half-baked former industrial power.

## A Program of Higher Education

**Schlanger:** I want to just shift a little bit, Lyn, into discussion of your new paper, because, I think what you've done is you've launched a profound revolution in the science of

physical economy and the related science of statecraft. And I know the three LaRouche Youth Movement members on the phone will get at you in a moment on this—but, this piece will appear in the next issue of *EIR*. What was your intention in writing this paper? What was your thinking behind it?

**LaRouche:** Well, there are two things. First of all, from the standpoint of the negatives, we have been destroying our economy. Actually, we do not have the capability that we had 40 years ago! We are a poor economy, and a broken-down economy, compared to what we were 40 years ago.

Now, part of this, is, we've lost skills. For example, competent scientific education, engineering education, in our institutions of higher learning; orientation toward these kind of careers, in primary and secondary education, have been lost. We are becoming a nation—a *dumb nation* economically.

Now, we have to get back to becoming an industrial power, again. Otherwise, we're not going to make it. And, with the world crisis coming, unless the United States takes leadership on this thing for a world recovery, there is not going to be a world recovery. You look at various parts of the world, there're certain interesting things happening in China, some interesting things happening in India; some potentially interesting things could happen in Europe. Russia is very a interesting question mark these days. But, they're not going to start a recovery of the world system, and the world system is on the edge of the greatest crisis in its modern history.

So therefore, we in the United States *must take the initiative* which moves the world as a whole, into the direction of a recovery policy. Now, this means that we have to not only recover the scientific potential we used to have, at the time that Kennedy launched the manned Moon landing, which was a continuation of measures which had been taken by Eisenhower in '57-'58. We've lost that. We have to rebuild our society.

Now, my view is this: There are certain known things that can be done very efficiently, to increase the level of scientific competence and engineering competence in our labor force. And obviously, these capabilities have to be introduced into the youth movement. They have to be introduced, especially, into the age-interval which corresponds to the normal university life, that is, of age 18 to 25, which is a time that people turn from adolescence into qualified employees in science and things of that sort.

So, what I did, is to lay out the basis for a program of higher education, and to utilize the LaRouche Youth Movement, which needs this anyway, to start the process of creating the model which people on that level of age-interval, can follow, with getting an *educational movement*, for a return to a powerful, technologically powerful, scientifically powerful, economy again. And, I thought, "Well, I'm writing this article on how to do this, but I'm not going to do it all myself: I'm going to challenge youth working with me, to jump on this, and with my knowing what they're going to do, let them discover what they're going to do!" Which is, I think, a good

educational program. And they've done it: We have a lot of material they've produced—I have not been directly involved in it; I specified what had to be created, they've gone ahead and done it. And this is all going to be presented, my article together with their examples, their explication, their extended footnotes so to speak, which will all be in a mammoth edition of *EIR*, the Christmas edition. And the purpose of this, is to help push an economic recovery, but also to shock the nation into saying, "We have to reform our educational system to fit the needs of the present and future."

## The Meaning of 'Power'

**Schlanger:** Now, I can tell you, we have had quite an extended process of deliberation which was set into motion by the way you laid out this project. And we have three people who were involved in three of the locals in pushing this forward. So, let me first bring on Cody Jones, who's in Los Angeles, here. Cody, go ahead.

**Cody Jones:** Yes, hello Mr. LaRouche. Well, the question I have, first off, is, one thing we've been wrestling with, is the challenge you've put out on the economic animations. And in looking at what you've called for in terms of what we want to animate, and then looking at this in terms of what we've been developing in something like the "Mathematica" program, some of the animations that Bruce [Director] has done for the elliptical functions and the higher transcendentals: How can we, in a sense, the way someone like Leonardo da Vinci took discoveries he had made in light and spherical perspective and then used those, brought those to bear, to communicate these profound ideas in his artistic compositions. We're trying to think about the artistic question of how can we take these ideas of these animations of elliptical functions, where you see a certain increase in degrees of freedom, kind of transformation from say, a sphere to a torus, and how do we then incorporate that into the kinds of animations we want to use on the economics, that communicate, really what you've discovered in physical economy; of the kind of transformations that take place whenever you introduce a newly discovered universal principle into the economic process?

**LaRouche:** Well, what we've had is a wrong educational approach—not entirely—there are a few institutions which have done better. But our general mass education, including mass higher education, has been tailored to play down the actual role of creativity. Instead of having young people, say at the university-age interval, instead of having them experience the process of discovering a universal physical principle, for example, what we do, is we give them a program of drill, in effect, in which they replicate, or "go through the motions" of constructing solutions, like solving crossword puzzles, for predetermined results.

This is wrong, in my view—always has been, in my view. That, the origin of science, and Classical artistic composition, is something which was relatively unique in our known history, to European civilization, starting with ancient Greece,

with the Pythagoreans, and Thales, and Plato and so forth. Now, that method had been known and has been used by the great discoverers. It was used for example, by Leonardo da Vinci, in his time, and by Nicholas of Cusa, a cardinal of the Church, who revived this into modern science. This was again revived, at a later point in modern times, in France, around Jean-Baptiste Colbert, and the great economic revival which followed the 1648 Treaty of Westphalia. This was done by Leibniz. It was picked up again, later in the 18th Century, by a group of people including Lazare Carnot, Monge, and by Gauss, and through Riemann and some other people.

So, the method of doing actual, original generation, of the discovery of a universal physical principle, in large part, has been a lost art, in terms of even higher education, as well as programs for secondary education.

So, my work on this was simply to concentrate: why the word “power” came in. “Power” is a modern term corresponding to the meaning of the Pythagorean term *dynamis*, from the Greek. This concept was actually reintroduced into modern science by Leibniz and his exposure of the frauds of Descartes. So, to bring this into play, this kind of geometric approach to making original discoveries.

So, what we did is, we took the foundation of this work in modern science, essentially in modern times, from Kepler, his followers, through Riemann; but take this particular period on the issue of the implications of the doubling of the cube as a geometric construction. Which is the most relevant, from the standpoint of modern science, the most relevant discovery that anyone has to work up to, and through, to have the foundations of competence in science in general, and in economics in particular.

So, what we did is, we just took some of the challenges, examples which I thought were the most important ones to portray, on this concept of power: power as the power of ideas, discoveries of principles that only a human being can make—no monkey can do it. This is the difference between a human being and an animal: to re-experience the challenge of working through some of these discoveries, as if the youth involved were making the original discovery *themselves*; which is, I think, what an educational process ought to be.

So, it seemed to me, that because of the great crisis that we’re facing, economic crisis, that we need a science-driver program to quickly get the United States and other nations “out of the mud,” so to speak, of our present depression: is to present that challenge to young people, of a generation who can no longer afford university. You know what a university education costs today, in terms of the average income of the average member of our society? Do you know what it costs for tuition for a four-year, decent university course? What the cost of living for the student, during that period is? Most people can’t afford it. They can’t afford it, in their lifetime! And we’ve come to the point, that to have a successful economy, we need to have most of our people enjoying the equivalent of a competent university education. Today, we just can’t

afford it! Not the way we could, say, in the 1960s, or back in the late 1940s or early 1950s. It’s gone!

So, here I have a bunch of people, young people. They don’t have a great deal of money—as matter of fact, they’re a very poor generation, they don’t have access to much money. They can’t afford this kind of education, generally. And therefore, how can we provide a general education, or general level of education, for all people in that 18 to 25 generation, or at least most of them, which qualifies them to develop into competence for driving an economic recovery, of this nation, and of the world?

**Schlanger:** You’re listening to The LaRouche Show, which is live on the web every Saturday, from 3 p.m. to 4 p.m. Eastern Time. Yes, we will have a show next Saturday on Christmas Eve, because this next week—this next couple of weeks, will be incredible, leading into the Jan. 11 webcast: On Jan. 11 at 1 p.m. Eastern Time, Lyndon LaRouche will be giving another in the series of webcasts that have been shaping the political fight, not just in Washington, but also internationally. So, you’ll want to tune in for that: That will be on the <http://www.larouchepac.com> website. And I would encourage everyone listening, and everyone on the internet and on the conference call, to go out and “organize up a storm” to get people on that, to get your Congressman to either come to it, or listen to it on the computer; send their aides over. Many of the aides in Congress are the same age as the LaRouche Youth Movement, and they’re beginning to get a good education, thanks to the work of the LaRouche Youth Movement in Washington, D.C.

I’m going to bring on our second participant from the LaRouche Youth Movement, who basically has been involved in setting up a workshop in Seattle to do some of the kinds of constructions that were inspired from Lyn’s paper. Riana, are you there?

**Riana St. Classis:** Yeah, I am.

## The Question of ‘Art and Science’

**Schlanger:** Okay, go ahead.

**St. Classis:** Hi, Mr. LaRouche. When we were doing the building of all these volumes and trying to really get into the Archytas construction from a different—. We were all really aware of a couple of different things. One was that we were doing intellectual archeology, something that you’ve discussed a lot. And also, that we were sort of grappling with—I don’t know—maybe the (I don’t know the right word), the “embryo” of the machine-tool principle: Because, as we were trying to do these things, to build these things, we were realizing what the Greeks, what Archimedes and the followers around Plato were probably having to confront. And then, we realized that we had to build machines, to be able to create the things that we had in our ideas, that we were trying to do. So, as we were doing that, we had the sense that that was something akin to what you had been discussing.





EIRNS/Stuart Lewis

*LaRouche organized the education of his youth movement around the concept of the difference between a human being and an animal: to re-experience the most important scientific discoveries in history, "as if the youth involved were making the original discovery themselves."*

And what we also began to think, was that this was probably the only way that you could communicate these ideas, and that it involved all of the principles that you discussed, including what Cody I think, was bringing up as well: this question of art. Because, in order to convey this idea, you actually had to bring to bear all of your capabilities.

I don't know if that's exactly a question, but could you comment?

**LaRouche:** Yes, well, Cody raised the question and you've raised it again, in this question of art and science.

You know, what I've done, is because of the limitations that we're working with, how do you get a general educational effect, in terms of a scientific outlook, and a Classical artistic outlook. And so, I emphasized this geometric approach to the rediscovery of the history of European science, as traced from, especially the Pythagoreans with the conception of power, which they associate with *Sphaerics*. And on the other hand, is to take some Classical artistic compositions, musical compositions, as challenges. *Jesu, meine Freude* for example, or the Mozart *Ave Verum Corpus*, which are what are called a *cappella*, essentially, works. And to get people to understand exactly what is the same principle which is expressed in an effective performance of, say, the *Jesu, meine Freude* or the Mozart *Ave Verum Corpus*—which I guess, all of you have discovered by now, is not such a simple thing. You do it with a chorus, you find out that you have to slightly adjust the voices to get the unity of effect, of the entire composition, that it's to be *undivided*, not a mosaic, but a continuous process of development from the beginning to end of a truly

Classical choral work.

And in that, you find out that you make very slight changes, as, for example, the *Ave Verum Corpus* has several changes, which are called "Lydian intervals." And these changes produce, when they're performed effectively, produce the sensation in the audience, and among the singers, which corresponds to a creative experience. It's where a genuine idea, rather than singing the notes that you read on the page, you're actually conveying an idea.

In making a discovery of physical principle, or in solving some of the challenges which implicitly I threw at you guys, with this article, you get to a point, where you actually get a sense of a breakthrough. And you get a sense of creativity, which most people do not get—or very rarely—in their entire educational experience.

So, my purpose here, among other things, is to get the emotion of this—for example: The emotion is fun, because, when you're experiencing the work of Archytas, this friend of Plato's, who was the commanding general, for example, of the forces of Syracuse at that

time—and you realize that you are experiencing, or in the case of Archimedes, or the case of some of the discoveries of Eratosthenes, of thousands of years ago, you are experiencing in your own mind *exactly* this special creative emotion, which they experienced at that time! And therefore you get a sense of what humanity is.

You know, we're all going to die, sometime. We're born, and we die. But we also have a sense of immortality. This immortality is associated with what we do which continues what was done before us; and what we do, to extend that experience to those who come after us. So that we see ourselves as, in a sense, experiencing immortality.

For example, now, the problem the Baby-Boomer generation has: They're now, generally, between 55 and 65, or something like that, those born in the immediate postwar period. And because of the things they've been subjected to, they tend to be a no-future generation in their outlook. This represents a real problem for people of the younger generation, young adults, because, here they are, they're the children of these fellows, who are about to go out of business as the leaders of society within about ten years! And here, the young fellows coming along, 18 to 25 and so forth, and they sense that their parents' generation doesn't have a sense of the future! But has a sense of trying to find a comfort zone, in which to live out the ten years or so of leading life they have left, and probably ten more years beyond that, before they die! That's horrible!

Human beings must have a sense of participation in coming generations. They must have a sense of their participation

in generations which went before them. And it's only in the experience of that which distinguishes a human being from a monkey: the power to make these kinds of discoveries, that a human being can look in a mirror and say, "I'm not a monkey." Otherwise, people behave, look like monkeys, don't they? They behave like monkeys, often, too.

So therefore, the important thing in education, is also *moral*. It's not simply becoming useful. A tool can be useful, but that doesn't make it human. But to become useful to society, is to express what a human being can do: It can make, and replicate, the discoveries of *ideas*, which have lifted humanity up above the level of the beast, and toward whatever the future can become.

So, what is needed, above all else, in difficult times like these now, is a sense of personal passion, a sense that what one is doing *has immortal significance*, in terms of reliving the past—you bring Archytas back to life; you bring Plato to life; you bring Eratosthenes back to life; you bring Cusa back to life; you bring Leonardo da Vinci back to life; Leibniz, Gauss, Riemann—bring them back to life! Because you can experience the ideas which were uniquely their creation, in yourself. You have a sense of immortality, in your connection to the past of mankind; in a sense, also, in the same way, a sense that what you're doing now, *will live, after you've died*. *It will be a part of the future of humanity*. It's that conviction, it's the joy of doing that, which is the motive, which enables a generation to accomplish great things.

Shelley refers to this in his essay "In Defence of Poetry": That there are times, special periods in history, in which the passion and ability to communicate, to impart "profound ideas respecting man and nature," is rare. Whenever mankind gets into trouble, as we're in trouble today, as our nation is in trouble today, what we need, above all, is to evoke from among our people, at least a significant number of them, this sense of the power of "receiving and imparting profound and impassioned conceptions respecting man and nature," what Shelley speaks of as the poetic principle. And, that's my purpose here. And that's what you guys are, both, so far—Cody, you, and Riana—have referred to: is this experience, this kind of thing, this poetic character, that you can evoke in terms of even physical scientific discoveries.

## Space Exploration: Managing the Solar System

**Schlanger:** Lyn, we have the whole board filled up with e-mails and questions. I'll try to get to some of them, but I want to keep the dialogue going with the LaRouche Youth Movement members, by bringing in now, Jason Ross, who's on the line from Oakland, and Jason is another one who contributed both to the article, but also to the discussion process with many other people who were working on it.

Jason, go ahead.

**Jason Ross:** Well, I had a question about space, as in nearby space, like the space exploration. We've been doing

some work on the Apollo Project, here in Oakland, and in regards to economics, we've been having a lot of success in forcing the question of economics, by intervening sometimes rather brusquely but pretty polemically, into the Economics Departments at the universities in the area around here. And we were looking at the Apollo Program from kind of, forcing the question of valuing something that's neither direct production, or infrastructure, but the scientific discovery process itself; because it seemed like that what the real value of the Apollo Program came from, not from (I don't know), selling Moon rocks to somebody.

And it seemed that, you say that it's been over a century since there's been a real breakthrough in scientific epistemology. Although we have discovered new things, the method hasn't progressed very much. Whether, if we followed through with what Pelosi laid out, of really going ahead with the space program again, that that could help force the same kind of discussion about scientific method, that's currently being forced about the method behind economic thinking.

**LaRouche:** Take the case of the Kennedy space program, as an example from my standpoint. This started, in a sense, you know, the space program—the rocket program had become moribund at Huntsville, [Alabama], which had been a leading center of this at one point, the Army program there. But then, after the '57 recession, which was a very deep and disappointing recession, I must say—I was there at the time, and saw it coming and forecast it, and experienced it when it occurred—the Eisenhower Administration decided to push a science-driver program ahead.

Now, as you know, probably from looking at some of the studies we were doing, that you had, Eisenhower was involved with MacArthur and with others, together with this program which involved Harry Hopkins during the 1930s. It included Lucius Clay, for example, who came out of that program. So, they went through this military-industrial program. And what Eisenhower did, was reactivate that, as President. Then, Kennedy came in, and Kennedy launched the space program, the Moon-landing program, by taking the elements which Eisenhower's program had begun to pull together. And the space program has really mystified people—it was really inspiring: We got 10 cents back for every penny we spent on it, in the time we spent on it.

You know, Marsha Freeman wrote recently, commenting on something I said some years ago, that one of the reasons we go into space, and to places like Mars, and so forth, and the Moon, is, we're trying to find a geology, a kind of chemistry, a geological chemistry and so forth, on these areas, which we don't find on Earth. Now, what we find there, are things we're familiar with, in large degree—that is, the elementary things are more or less familiar to us. But we find geologies, like we've found recently on Mars, which we don't find on Earth. But we find these geologies involve the same elements with which we are familiar.

So therefore, we find out, by exploring nearby space,



EIRNS/Sylvia Spaniol

*LYM member Jason Ross (left) teaches at a geometry workshop in Oakland, Calif.*

we're doing several things: We are looking at the Solar System as the place in which we live. And we realize that, just as we have to take care of the planet Earth, to make it livable, we have to make the Solar System livable. Now, we're not going to do that all at once, but we will never get to that, unless we start doing it! And therefore, by going out to the Moon, we made discoveries, we made very important discoveries, physical discoveries in the Moon exploration. We're making new, important discoveries on Mars, by finding geologies we are not familiar with. We're finding out the Solar System is somewhat different than we thought it was—and we're going to have to manage this Solar System (the human race is), over a long time to come.

Now, we have a very practical program which has come up in this same connection, which I've been focussed on. I've emphasized the work of Vernadsky, because Vernadsky was the one who really systematically codified the distinction among three specific categories of kinds of processes which are on this planet: You have processes which are non-living processes, that is, defined by experimental method. You have processes which are living processes, again defined as that by experimental method. And you have processes which he called, placed as the Noösphere, that is, the area of human mentation; where we have physical processes on this planet, which are becoming more and more important, a bigger part of the weight of the planet as a whole, which are due entirely to the creative powers unique to the human mind, and not to any other living process.

And so, therefore, we have reached the point, that we are going to have to manage the raw materials and similar things on this planet, to ensure that we have a secure future for humanity. This means that we have to go into new geologies,

and find ways of replenishing the kinds of materials on which human survival depends.

So therefore, as we go into space, we are discovering ways in which elements we're familiar with, that is, the so-called Periodic Table elements, we're familiar with those as elements, but we find they're behaving differently outside the Earth than they behave on the Earth. And this is part of the process we have to consider, in taking up the responsibility now, for beginning to manage the raw materials on which we depend, really than just using them up, as we have tended to do so far.

So, it's a very practical question, is that, we have to go into space with the idea that this, our Solar System, that we are going to be living for a long time, as a human species, and that we have to take steps now, to prepare the ground-

work, for managing whatever problems come up to threaten mankind's existence within the Solar System in the future. We're out there to understand the Solar System in which we live much better: We're prepared to take advantage of what we learn in the short term; and we are preparing also to deal with possible calamities, which we might have to overcome, in the future.

## Mastering Science for Future Generations

**Schlanger:** A caller has a question for you Lyn, that actually gets at another aspect of this question of scientific research: Lou, from New Mexico, wants to know your thoughts at this point on the research in fusion energy and the importance of that.

**LaRouche:** Well, obviously, it's a higher dimensionality. Not only is it a different order of magnitude than we deal with in the nuclear processes, but it's an area which behaves differently than nuclear processes. And it's part of the challenge of trying to manage this planet! We need those powers!

Beyond that, we have the question of matter/anti-matter reactions. Now, we do know what a matter/anti-matter reaction is. But the management of it, is somewhat beyond us now.

So, similarly, we had nuclear reactions, which is something which modern society has come to understand, or recognize. And then, later, the fusion processes, or the sub-nuclear processes, which are a different order of magnitude, those we have to master. And somewhere down the line, we're going to have to worry about how do we master this thing about matter/anti-matter reactions, as they're called today experimentally.

This is part of the necessary process.

Also, there's another part to this, where art and science

come together. As I spoke earlier, in response to Riana on this issue of immortality: This experience of immortality is extremely important to us. We are human beings. We live, if we are human, with a prescience of the future of mankind, and see our mortal lives as a part, but also an integral part, a functioning part, of the past and future of humanity. And anything that might affect the human species, millions of years from now, is really of concern to us today, it's because we truly think of ourselves as being mortal in our flesh, but immortal in our sense of identity as a living being. And therefore, we are concerned with what happens to this universe, because we expect to be living in it, or having an effect, a living effect, an immortal effect on it, for a long time to come. And we would like to sort of, fix things in advance, so things come out better in future generations, not just our own.

**Schlanger:** Well, that's one of the reasons we have to make sure that Dick Cheney is out very soon.

Now, again, there are a lot of questions on the board here, but I want to continue the dialogue with the LYM members. If we don't get to your question, we will forward these e-mails to Mr. LaRouche and he can answer them, as he tends to do.

So, Cody, do you have a follow up?

**Jones:** Yeah, a little bit in a different direction. But, on the organizing, particularly when you're dealing with Boomers, you often don't have a lot of time to lead them through the profound discoveries. But you had talked before about this prescience in the population, and I was wondering, even as perverted as it's become in the United States, in terms of our understanding of history, and our own history here in terms of Classical culture, is there something unique to the culture in the United States, which may be just unconsciously transmitted through the generations that we can tap into?

**LaRouche:** Yes, there is. You know, I've spent a lot of time on this, and probably because I have spent a lot of time on it, I probably have an advantage: that I deal with Europe a good deal, and I deal also with other countries in the Americas. I have cultural encounters, of a type which show me that Europeans are different than Americans—not every one, it's not that simple—but, as a category.

We think differently. We're much more optimistic than Europeans are, that's partly because of all the wars they've gone through, and because they never got rid of the legacy of aristocratic systems. The idea of equality is much more accessible to the American than it is to the European. They may say they think they're equal, but very few of them actually do, they actually show it. They always have a sense that somehow there's an aristocrat, or something, or some kind of superior being, or superior race or something; or vice versa, that the people who are *not* part of the aristocracy, are somehow inferior to those who are.

So, we have that peculiar sense, which is embedded in our history, and it's transmitted sometimes in subtle ways across generations. As I say, you know, looking at my own history,



EIRNS/Stuart Lewis

*LYM member Cody Jones, addressing a press conference in Boston, in July 2005, during the Democratic National Convention. Jones is a member of the Central Committee of the Democratic Party in Los Angeles.*

as I say, I'm about 200 years old now; because I have a memory, not of seeing this relative, but he was a dominant figure at the dinner table back in the 1920s, who was a contemporary of Abraham Lincoln. So, in a sense, in terms of my family experience, direct family experience, I'm about 200 years old. And in terms of my family, came into the United States, the first representatives came in in the 17th Century, one from England, the other from France. And later on, we had some Scotsmen came in, in the middle of the 19th Century.

So, I have a very conscious understanding and feeling about America. I know the history of our country—better than most people do. I associate myself with things that happened, that were done by individuals, like the Winthrops of Massachusetts, or Cotton Mather for example.

So, we have embedded in us, a reflection of a culture, which is distinctly American. And we react that way—sometimes we do. So that, when you deal with a European, you generally get a much more pessimistic reaction to the world situation, than you'll get from an American. A quick joke, a quip on the street, a piece of witticism, which is typically American. Humor of this kind, is the best way in which to convey political ideas. If you want to talk to somebody about a serious idea, quickly, tell 'em a good joke, that's relevant to the situation. And immediately, you're now on good terms: They're laughing, you're laughing, you're enjoying sharing a joke, and now you can discuss something more seriously, because your potentiality for creative thinking is there.

That's what the organizing process among us is like: We are unique on this planet, right now, in terms of the kind of optimism we represent. Any other part of the planet I know of, the same degree of optimism is not there. We have it. And my view in organizing is, what you have to do is, evoke in our people, the sense of the optimism which is specifically inherent to us.

## The 'University on Wheels'

**Schlanger:** Okay, we're down to just a little less than four minutes. I want to give Riana another chance—Riana, you have a question?

**St. Classis:** Okay, yes. It's a little bit related to what Cody said again. It seems that when we're working really intensely on these ideas, and doing all of these things, that we're able to communicate to each other in the Youth Movement fairly rapidly. And I also think, in a certain way, the way people focussed in on some of the things you were saying about the fourth phase-space. Even when we hadn't communicated with each other, it seemed that people were grabbing onto the same things.

But one thing we hit on as a problem, is bringing other people into that. And we just had a discussion here, because we were talking about the difference when we were a youthful Youth Movement, when there weren't many of us, and the difference between then and now. And one thing, is that we do have this development—but then, there also seems to be a barrier sometimes, because people realize that we are communicating in this way with each other, and they're intimidated by it. So, how do we overcome that?

**LaRouche:** Well, that's one of the reasons why I had this idea in writing this thing on the "Principle of 'Power' " to get some of your fellows involved in it. Because, the time has come that we have to go beyond just functioning implicitly as a kind of informal university, and to function more in part, in probably 40% of our time, or 30-40% of our time, is spent actually functioning as if we were a university. We have to have a sense of structure, of people who are coming around, who want to join a university. Not a university in the sense of the universities today, as they are, but in the tradition of what universities were, when largely students used to run universities. Of course, people had shorter life expectancies then; I guess it had to work that way. But, students were running universities, in just *exactly* the way that these projects were undertaken by the youth in this case. I thought it would happen that way, and it did!

It's simply, what came out of this, affirmed what I suspected would be the case: That what you have are classrooms essentially, were functioning in various parts of the United States with some degree of interrelationship. And working around the process of actually facing the challenge of re-experiencing a discovery of principle as a matter of construction. That is, the point is, you're taking something which is essentially intangible: a principle. Now, it's a physical principle, it runs the universe, but because it's universal, it does not have an exterior shape to you. Therefore, it's hard for you to recognize that it's an object! It's there everywhere, like gravity, it's everywhere. But, you can't pick up "a gravity"—because it's everywhere! It's too big for you!

But, how could you make gravity manifest? Could you construct something, which shows you the principle you know is there, which is not a principle directly, an object



EIRNS/Dana Carsrud

*LYM member  
Riana St. Classis,  
from Seattle,  
asked about  
how to introduce  
new people to  
their work.*

of sense-perception. Can you make that an object of sense-perception, or make its existence an object of sense-perception?

So therefore, when you construct certain curves, as machine-tool-design principle, as was done for example in Boston, with showing the logarithmic function and its relationship to the catenary function, by using machine-tool methods to actually construct something which makes a physical principle visible, by creating a shadow, which is tangible. Hmm?

And so, this kind of work, this kind of approach, together with the music work which is sometimes more difficult to get some people started with—but just do it! And you will find, I think, with this, and with the animations—as you know, we're accelerating the animation work. And by reducing certain principles, that is, historical principles like what happened to the United States over the past 60 years in this respect, or that respect, and making it tangible, making the effect tangible, so people can recognize these ideas and know how to replicate them and prove them themselves.

So, I think we're into a phase, where we're going to just do more and more of the organizational responsibility of which you would think of as a university, we're responsible for helping the other people in the organization who are coming in, to assimilate and to "catch up," shall we say. And once they sense they're being brought in, they'll be happy.

**Schlanger:** Lyn, I hate to do this, but we're out of time. So, people can get the *EIR* as a starting point. Also, Lyndon LaRouche will be holding his next international webcast, Jan. 11. Those of you who had questions who didn't get on today, please forward them via e-mail to the "Ask LaRouche" section of <http://www.larouchepac.com>.

Lyn, thank you so much for joining us today. And, Riana, Jason, and Cody, thank you. And to all our listeners, tune in next week, but put on your calendar, Jan. 11, 2006, the next most important day of the beginning of the New Year.

## HOW NOT TO BUILD A RECOVERY

# A Tale of Two Bozos

by Lyndon H. LaRouche, Jr.

Dec. 13, 2005

The tale was told more or less as follows.

During one of those occasional silly seasons which the French call revolutions, a revolting pair of academics were sipping beverages in a favorite café, while successive clusters of revolutionaries raced past the café on the street outside. Suddenly, one of the pair in the café stood upright, grabbing his hat, scarf, and coat, exclaiming: “That is my revolution which just passed; I must go and lead it!”

That could be a replica of “Big MAC” swindler Felix Rohatyn and his confederate Warren Rudman, jerking into an upright position, after belatedly recognizing the importance of Democratic House leader Nancy Pelosi’s now-famous Harvard address of just a little over a week ago. The product of their delayed reaction to Nancy Pelosi’s address, is a silly swindle which they christened “a national investment corporation (NIC),” a piece of chicanery which Rohatyn and Rudman contributed to today’s edition of the *Washington Post*.

For anyone who knows the reality of the present financial conditions of the financial institutions of Europe and the Americas as a whole, the most obvious swindle in the Rohatyn-Rudman proposal for raising money for infrastructure from issues of fifty-year bonds, is that the purchasing power for those bonds does not exist under the present economy with that economy’s present role within the world’s monetary-financial system.

This does not mean that Rohatyn is altogether stupid; it means that he hopes desperately that you readers of the *Washington Post* are dumb enough to be taken in by what he and Rudman have proposed in print. To understand why Rohatyn would make the kind of fraudulent argument he has contributed to today’s issue of the *Washington Post*, you

have to understand why Rohatyn hates and fears me personally.

### Felix and Fascism

Felix is, essentially, a fascist. He probably hates the memory of Adolf Hitler, and maybe even Benito Mussolini and Francisco Franco. What he represents is the type of financier circles which backed Mussolini and Hitler during the 1920s and early 1930s, the financier circles which put the Mussolinis and Hitlers into power because they believed that fascism was the tool needed to destroy the kind of society which the United States’ Declaration of Independence and Federal Constitution represent, just as many tools of similar private financial interests have done so much to destroy the U.S. economy, in particular, during the time since the aftermath of the assassination of President John F. Kennedy.

As a result of the role of the 68ers, in shifting the economies of the U.S.A. and Europe, away from agro-industrial economies, into so-called “services economies,” those nations are essentially hopelessly bankrupted under the international conditions existing today. In place of the U.S. economy which was crucial in defeating Hitler, we have a pile of decaying economic wreckage, in which traditional private agricultural and industrial ownership has been crushed under the power of gigantic financier networks controlling giant corporations which, like U.S. Steel, and as Kerkorian intends to ruin General Motors, are financial husks of the productive enterprises which they used to be.

That means, the increasingly “globalized” world of today is dominated by super-gigantic financial combines which have greater economic power than entire nations, or, in some cases, even combinations of nations. What Rohatyn represents, and represents this in a fully conscious way, is a global-

ized system of imperial rule by a global combination of super-gigantic slime-molds made up of many private financier interests. They intend to eliminate what they regard as the former power of “big government,” by either governments which are mere lackeys, errand-boys for financier slime-molds, or, for most cases, no real government at all. For that reason, people such as Rohatyn hate me bitterly, and very, very personally.

### Why Rohatyn Fears Pelosi's Address

The Rohatyn-Rudman scheme is pure swindle. They have no intention that anything like their proposed NIC would actually work. They are hoping to dupe a sufficient number of suckers into believing that it might work, to prevent the U.S. Federal government from doing the only thing, Franklin Roosevelt-style, which is, in fact, the only possible means for preventing the United States from collapsing soon into the worst and deepest depression ever, and that soon.

The first line of defense of the U.S. economy against a deep and early depression is the willingness of the U.S. government, under the clear provisions of our Federal Constitution, to take the bankrupt Federal Reserve system into receivership by government, to keep the bank doors open and the banks functioning, and to reorganize a credit-system which will launch the large-scale investments in infrastructure and private industry sufficient to repeat the miracle which Franklin Roosevelt's Administration accomplished during the 1930s.

Once the U.S. government begins to play that role, it will be sovereign governments which rule the world, not predatory loan-sharks like Rohatyn and his accomplices.

If he can succeed in fooling you into believing his fraudulent proposal would work, you have no chance of coming out of the crisis as free men and women. Give in to Rohatyn's swindle just long enough, and the world dictatorship for which he is working would become the ugly reality of your existence.

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### What Rohatyn Wrote

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*The following are excerpts from the op-ed titled “It's Time To Rebuild America: A Plan for Spending More—and Wisely—on Our Decaying Infrastructure,” by Felix G. Rohatyn and Warren Rudman, published Dec. 13, in the Washington Post.*

Two recent, very different events on opposite sides of the United States serve as startling examples of our unwillingness to support needed public investment or to consider the consequences of failing to do so.

On the Gulf Coast, the failure to invest adequately in the levees of New Orleans and to prepare for or manage the resulting disaster was obvious to the world.

On the Pacific Coast, in the state of Washington, a quieter crisis loomed. The region's infrastructure had been outstrip-

ped by growth. But the new governor, Christine Gregoire, had the courage to impose a phased-in motor fuels tax to repair the state's dilapidated and congested roads and bridges. . . .

Americans may not want “big government,” but they want as much government as is necessary to be safe and secure. Today state and local governments spend at least three times as much on infrastructure as the federal government does. In the 1960s the shares for both were even. Even so, increases in state spending have not been enough to check the decline in many of our public assets. A new type of federal involvement would be a powerful initiative and would require a new focus. Rebuilding America is a historic task; we have the means to do it.

The shortfall in investment is aggravated by the fact that most infrastructure money is given out by formulas that do not force all projects to be evaluated on consistent or rational terms. The solution to both issues could begin with a national investment corporation (NIC) that would be the window through which states and groups of states and localities would request financing or grants for all infrastructure projects requiring federal participation. It could, over time, replace the existing dedicated trust funds, as well as address new missions for America's public infrastructure programs, including renovation of public school buildings.

The NIC could use its financial power to bring about improvements in policy. Funds for new highways, airports or water projects would not be granted unless modern technology, appropriate user fees and other non-structural solutions had been brought to bear. Capital grants to individual school districts would be contingent on adopting management and human resource practices that would improve school performance.

The NIC should have the authority to issue bonds with maturities of up to 50 years to finance infrastructure projects. The bonds would be guaranteed by the federal government. Such long-lived bonds would align the financing of infrastructure investments with the benefits they create; the repayment of those bonds would allow the NIC to be self-financing. In Europe, the European Investment Bank finances infrastructure in a similar fashion; it has created a superb and efficient European infrastructure, including a high-speed rail network, which is an enormous asset.

The federal budget is in crisis thanks to unwarranted tax cuts, unbounded entitlements, and open-ended commitments for hurricanes and homeland defense. But the budget does not recognize assets; it recognizes only expenditures and liabilities. Under the rules as we have them, the Louisiana Purchase would have been accounted for on the basis of the debt issued to Napoleon, with no recognition of the astounding value created. An entity as large as the U.S. government must have a cash budget. But the use of dedicated, long-term bonds within an NIC would become a de facto capital budget, providing us with better information about the stock of public capital. . . .

# More on Rohatyn

by Lyndon H. LaRouche, Jr.

Erbenheim, December 18, 2005

Reports on some European reactions to my “Tale of Two Bozos,” say that some of the locals there complain that they do not understand the substance of my objections to Felix Rohatyn’s latest scheme for luring and looting prospective investors. The problem is not that they do not understand; their problem is that, for special reasons, they do not wish to understand what should be quickly obvious to any intelligent and literate adult person.

The motive for those complaints, is, simply, that very few Europeans wish to know the fundamental difference between the American System of political-economy, which is based on a system of state credit, and European monetary systems, such as that of John Maynard Keynes, or the system of allegedly “honest money” proposed by the inherently dishonest, American traitor, fascist, and certified lunatic, Ezra Pound. Prevalent ideas about money and credit, throughout Europe today, remain crafted in Europeans’ self-inflicted habit of following the Venetian tradition of usury. Therefore, they do not know that difference between a credit system and a monetary system, simply because they do not wish to know that difference.

I repeat: the problem is that the typical European, especially most among the professionally educated ones, either does not know, or does not wish to know, the difference between a system of productive credit, such as the American System, and those states of misfortune known as the current European ideas of a monetary system.

To make the relevant point clearer, this difference between American and European customs, also accounts for one of the principal reasons so many Europeans were lured into accepting the fascist economic systems which the Synarchist International’s concert of private bankers installed on that continent during the 1922-1945 interval. So, Americans familiar with the rudiments of economic matters, have an instinctive aversion, as I do, and, apparently as former Federal Reserve Chairman Paul Volcker does, to the aromas of



*Synarchist banker and “Big Mac” swindler Felix Rohatyn*

the Synarchist tradition at the center of all Rohatyn’s more notable past and present schemes. Volcker and I disagree on some significant points of policy, but as cultured American professionals who know the American System, we quickly identify the Synarchist stench radiating from Rohatyn’s schemes, as even educated Europeans usually prefer not to do.

Prevalent European ideologies are steeped in the sickening effects of the more than a thousand years under the reign of monetary systems still traced to Venice’s influence, up to this present day. Any literate Italian who is willing to face up to this particular truth, has the cultural background needed to recognize the truth of what I am saying, better than any other type of European. He enjoys the disadvantage of being closer to Venetians today.

## How To Make Money Work

Under the U.S. Federal Constitution, lawful money is that issued by a monopoly of the Federal Government, as conditioned by the U.S. House of Representatives. This money is not properly based on anything but the credit of the U.S. Federal Government; no other form of money is allowed to be used, or possessed, except under the provisions of lawful treaty agreements with other sovereign governments. It was that U.S. dollar which provided the essential basis for the 1945-1971 existence of the Bretton Woods System. Under European systems, and the present floating-exchange-rate perversion of the International Monetary Fund, monetary systems are of the form of “independent” central banking systems, such as the Keynesian system, in which the credit of the state and its monetary affairs are controlled by the power of private banking interests.

For an example, take the case represented by my current proposals for U.S. economic recovery.

I have outlined the creation of a vast debt, for investment in improvements and enterprises which will increase the wealth of the nation by a far greater amount than the denotable monetary value of the debt incurred. Such are the strategies which I have summarized in my current *EIR* feature, “The Principle of ‘Power’.” This debt is prescribed to be incurred, as Federal utterance of obligation to deliver a Constitutional form of currency, for employment of people in actions which will increase the productive powers of labor and their products by a far greater amount than is expended for those actions. It is the increase of the production by technologically progressive labor which is the security for the monetary debt uttered.

This outlay of debt-money (i.e., credit) is based on powers of a physical-scientific type, not any monetarists’ notion of so-called “utilities.” This is made clear enough in both my “Vernadsky and Dirichlet’s Principle” and the currently featured special Christmas issue of *EIR*.

Thus, the national system of economy depends upon the use of the power to tax and to regulate, to ensure that the utterance of money by the state, as credit, is defended by use



of the power of the state to affect prices, and investments of the government, in such a way that the long-term obligations incurred by the creation of credit as money will be met in a timely way. The principle is, that the sovereign government's perfect monopoly in uttering money as a form of credit, is intended to promote both physical expansion of the economy and increase in productivity per capita and per square kilometer of territory.

Therefore, under "globalization," there would be no honorable form of sovereign debtor or creditor. Echoes of the Venetian system's mid-Fourteenth Century "New Dark Age"! There would be soon no one efficiently accountable for paying the future obligations incurred by the issue of money.

The contrary conception of money, as expressed in an extreme form by the fascist scoundrel Ezra Pound, is merely carrying the customary fool's misunderstanding of money to an extreme. Pound's Venetian conception of "honest money" is a logical extension of the ideas about the relationship between money and value which Karl Marx learned from the Venetian Party under whom Marx was trained in economics under the patronage of his sponsor Lord Palmerston.

This was the Palmerston who owned Marx's immediate patron, Giuseppe Mazzini, and "Young Europe" lock, stock, and barrel. That was the same Russia-hating Karl Marx who, probably, at the instigation of the British Library's Urquhart, published a diatribe denouncing Palmerston as a Russian spy. This was the same Palmerston whose agent, Mazzini, publicly anointed Marx the manager of the socialist First International.

Many Europeans believe passionately in some very strange things.

Thus, in Europe today, where utterance of credit for long-term capital improvements would bring European national economies into balance today, as the present case of Germany illustrates the point most forcibly, the subjection of the state to the external authority of a money-based central banking system, forces measures like those taken under Brüning, which paved the way for Hitler and World War II. Europeans' habituated belief that money represents value in itself, leads Europe repeatedly into such, or comparable forms of catastrophes.

The problem some Europeans report they have experienced in "understanding" my piece, is not that they could not clearly understand what I have written. The problem is, as I have said here earlier, that they do not wish to understand what I have written. They have an attachment to habituated European ideas about money, as the patrons of prostitutes used to become attached to the spread of venereal diseases. They may not have liked the sickness very much, but they would not abandon the practices by which it is spread.

Simply, Rohatyn is all too typically European, which is to say, he is a typically European Synarchist, which is to say fascist.

## Britain's Economy: Going, Going . . .

by Mary Burdman

Like the rotten old house in Charles Dickens's *Little Dorrit*, the British economy is teetering. Last year's speculative frenzy in the housing market was apparently squashed in 2005, so now some are talking of housing prices going on "crabwise"—but this cannot last for long. In reality, the situation is like that unreal morning in Dickens's book, after the great speculator Mr. Merdle's famous bank had already crashed, but none of the victims knew it yet. Now, the housing inflation bubble, the "basis" of the whole crazy structure, is ready to go.

In 2004, U.K. housing prices shot up some 20-22%; this year, prices have just kept with inflation, or fallen outright—depending upon whom you ask. Consumer spending is stagnating, industry is evaporating, and the whole shaky New Labour public spending policy is imploding.

Since 2003, skyrocketing inflation of housing prices and consumer credit spending has generated a £1.1 trillion (\$1.87 trillion) personal debt bubble in Britain, the largest in the European Union. Even the self-adulating Labour government is gloomy. On Dec. 6, Chancellor of the Exchequer Gordon Brown had to admit to the "toughest and most challenging year for the economy" in his eight years at the Treasury. He announced £5 billion in tax increases over the next three years, while having to cut in half his wildly over-optimistic 2005 growth forecast.

The vast majority is mortgage debt, but some 20% is unsecured consumer debt. Consumer spending counts for two-thirds of the British "economy," the whole thing based on illusions about ever-rising property prices. But the property price inflation rate peaked in Summer 2004; since February 2005, it has been sinking. According to the broad-based *Financial Times* index Dec. 9, house price inflation is rising at the slowest rate since June 1996. The index said that November prices were up just 2.1% year on year—just about the current official rate of inflation in Britain.

But that is the best of it. The housing market analyst Hometrack reported, on Dec. 21, the first annual *fall* in housing prices in 10 years, with prices down 1.29% this year, and down 4.17% since mid-2004. Earlier, on Dec. 6, Britain's largest building society, Nationwide, predicted house prices stagnating at 0-3% growth in 2006, but warned that if there is no "economic recovery," prices could fall up to 2%. There was an unusual year-end uptick in mortgage lending—the first such rise in over a year—but at least half of this was

due to high levels of remortgaging, the Council of Mortgage Lenders said Dec. 20.

Prices have a long way to fall. The Office of the Deputy Prime Minister reported Dec. 13 that the cost of the average property is £186,103, which is more than *eight times* the average salary. Traditionally, mortgage lenders granted loans for houses up to 3.5 times a buyer's annual salary. Warnings are out that, even in the current stagnating market, the average price in some areas of the U.K. could break through the £200,000 barrier in 2006—if the whole house of cards does not tumble first.

This year-end, some hints of the extent of the trouble are coming from leading institutions in the City of London, one of the three largest financial centers in the world. In the Bank of England's "Financial Stability Review," released Dec. 16, Bank deputy governor Sir Andrew Large warned of "significant downside risks" for the financial system. *The Economist* Intelligence Unit used the same phrase on Dec. 19, talking about "the threat of falling house prices." Two days later, in its article "Miraculous Recovery or Last Gasp?" *The Economist* cautioned those who want to believe in the "surprisingly strong" figures now being published about house prices: "Housing markets may be the canaries that signal the fate of the broader economy. And, as any miner will tell you, canaries don't live all that long."

Meanwhile, the "buy-to-let" market is in trouble; big lenders, including the Portman Building Society, are now refusing to accept new applications for buy-to-rent mortgages on new properties, because of fears about the stability of the market. The buy-to-let market had been sustaining the housing bubble, since house prices are so high that new buyers just cannot get in the market. On Nov. 25, the British Property Federation warned that some lenders were offering new types of mortgages which do not require rental income to be more than the monthly mortgage *interest* repayments, while previously, they had required rental income to be at least 130% of interest, allowing for other costs—such as rental vacancies, arrears, and so on. British Property Federation officer for rentals, Ian Fletcher, warned that "at this point in the rental cycle . . . things [are] not as buoyant as they have been. . . . We would be worried if these types of deals became prevalent." The arrears on buy-to-let loans have doubled in the past 18 months, to 0.7%, almost as high as 0.88% for conventional mortgages.

## The Debt Bomb

The British population is drowning in debt. As economics journalist Liam Halligan wrote in the *New Statesman* Oct. 24, two-thirds of outstanding credit card debt in the European Union is British. The average household has unsecured loans of £7,650, almost \$13,400, rivalling the situation in the United States. The *Daily Mail* reported Dec. 7 that an estimated 3 million people in the U.K. owe more than

£10,000 unsecured debt, out of a population of almost 60 million. Of these, some 2.5 million have unsecured debts of more than £50,000. In London, 9% of the population owe more than £10,000.

The weight of the debt is having an impact: Britain saw the biggest fall in consumer spending in 22 years, the Confederation of British Industry (CBI) reported at the end of September. Sales have fallen for seven months. Stores are closing down at a record rate, with those related to the housing market worst hit.

Consumers took advantage of the Bank of England's August interest rate cut to dump their debt onto their mortgages. There was a net reduction in credit card debt in August, but an 8% rise in home loans. This is hardly a safety net. In the third quarter, the Department for Constitutional Affairs reported a 66% year-on-year increase in mortgage repossession orders in England and Wales, to nearly 20,000, while the total number of homeowners being taken to court by lenders rose 55% to nearly 30,000. The Council for Mortgage Lenders has predicted that more than 10,000 homes will be repossessed by the year end. These numbers are low compared to those of the 1990s housing crash, when some 70,000 houses a year were repossessed, but they have been rising steadily. In the 1990s, the critical factor was high interest rates; now it is high personal debt.

The government is also introducing new measures which make it easier for lenders—banks, credit companies, and stores—to collect debt, including any profit on the forced sale of a debtor's house. Debt counsellors are warning that these measures are effectively abolishing the distinction between a secured and an unsecured loan.

At the end of October, it was reported that British corporate insolvencies are up more than 20% over the past year. According to Consultants Experian, 4,787 firms went under during July-September, up from 3,954 in the third quarter of 2004. The sectors that are doing the worst are those most exposed to the housing market and consumer purchasing.

Personal bankruptcies are now twice as common as when Labour took office. Personal insolvencies have been rising for seven months to hit a record in the third quarter. Department of Trade & Industry figures showed 17,562 personal insolvency cases, up 46% from a year ago; these include more lenient "voluntary" insolvencies and 12,043 bankruptcies. This rise brings the total number of individual insolvencies during the past 12 months to 60,102, which could break the 1992 record.

## Losing Work

In December, Britain saw the tenth monthly increase in the number of people claiming unemployment benefits, to 902,000—the longest monthly rise in more than 13 years. The U.K. government says it has very low unemployment, but this

is deceptive. If those unemployed not claiming benefits are added, the numbers are more like 1.5 million. On top of this are some 2.7 million people on incapacity (disability) benefits, mostly former industrial workers, of whom two-thirds could actually work.

In eight years, under Blair's New Labour, Britain has lost 1 million manufacturing jobs, far more than under the last Conservative Prime Minister, John Major, when 500,000 jobs were lost in 6.5 years. Overall, manufacturing employment has fallen 60% since its height in the early 1970s.

Blair's "employment miracle" is in the public sector, which is now jeopardized by growing public debt. Some 930,000 new public sector jobs have been created since 1997, almost *half* the 1.97 million total rise in employment, according to *Sunday Times* economics editor David Smith. These are service jobs: national industries used to employ more than 2 million people, but since the era of Margaret Thatcher, that has dropped to only 400,000.

## Energy Crunch

What is left of British manufacturing could be finished off this Winter, if predictions of the coldest weather in years are borne out. At the end of October, CBI deputy director general John Cridland warned that rising energy costs and falling consumption had hit U.K. factories, whose output was at the lowest level for two years. Cridland said that 21,000 manufacturing jobs had been lost since August, and warned that another 24,000 would go by year-end. Despite sharply rising energy costs, firms were cutting prices just to keep going.

In November, things became more dire. Gas prices shot up almost 45% in Britain, Europe's largest consumer and the one with the highest prices. North Sea sources are drying up, but nothing has been done to deal with the problem. On Nov. 1, the chemicals firm INeos told the Parliamentary Trade and Industry Select Committee that a very cold winter would cause a "devastating energy crunch," leading to "massive" rises in the price of gas, which "is very likely to put many manufacturers out of business for good. We expect the U.K. to be short of gas leading to a gas deficit emergency. This will have consequences such as 'three day weeks,' wide-scale power cuts, loss of essential services such as water and sewerage, and further business closure. We are faced with the nightmare scenario that, in the event of very cold winter weather conditions, the U.K. will essentially be 'closed for business.' Much of this business will not recover and is unlikely to operate again."

The head of the Energy Intensive Users Group, of steel, glass, and paper makers, was quoted in *The Times* Nov. 23: "We are in uncharted territory. If prices stay at these levels it is difficult to see how industry can continue without closing some plants. It is no longer economical for many industries to run at full production." The high fuel costs sent overall raw

materials prices up by 12.7% in November. But product prices charged were down 0.2%, according to the Office for National Statistics.

Trade and Industry Secretary Alan Johnson had to announce Nov. 22 that lights would not go out in Britain "under any scenario whatsoever" this winter. But the situation was bad enough for Downing Street to publicly order an inquiry, after a secret meeting Nov. 10 of government ministers and industry representatives. The Department of Trade and Industry has commissioned reports on how large industrial users and power stations could cut their gas consumption to safeguard domestic supplies, and the effects these cuts would have on the economy.

## Nuclear Makes a Comeback

At least some good may come from this debacle: nuclear energy is back on the agenda. The Labour government has been anti-nuclear, but now things are changing. In his speech Nov. 29 to the CBI, Blair said that Energy Minister Malcolm Wicks will publish a policy statement on energy in early Summer 2006, which "will include specifically the issue of whether we facilitate the development of a new generation of nuclear power stations." In the next 15 years, Britain will have to decommission coal and nuclear plants which generate some 30% of the current electricity supply; this cannot be replaced by "renewables," so therefore, nuclear must be under consideration, he said. Ironically, Blair's rash promises to cut carbon emissions when he signed the Kyoto Protocol, is forcing his hand on the matter of "clean energy"—nuclear is the only one which will meet those standards and keep the lights on in Britain.

Blair is also under pressure on transport. On Nov. 27, CBI head Sir Digby Jones said that the CBI is calling for the government to spend an extra £1 billion over the next two years on road and rail projects, and overall an injection of £60 billion to increase spending in the coming decade to £300 billion. Jones told the BBC: "Although transport spending has risen in recent years, there are decades of under-investment to deal with, and it is clear that business still finds it far too difficult to get its goods to market and its people to work. . . . The government must not bury its head in the sand. We have to do something about it, and quickly."

He said that "Germany built two high-speed railway lines and three airport terminals in the time it took us to have a planning inquiry to build Terminal 5 at Heathrow. This is no way for the fourth biggest economy on earth to operate." Jones earlier had said that there soon had to be a decision on the future of nuclear power, which he called a "reliable, low-carbon energy source."

There are, after all, a few reasonable voices in the wreckage in Britain. If the United States can pull itself out of industrial collapse, there are chances for economic sanity even there.

# German Leaders Call For Reregulation

by Rainer Apel

All of a sudden, calls for state intervention into the economy have become popular in Germany, among leading politicians. The paradigm-shift in the United States, with increasing interest in the role of the state, after the Katrina disaster and in connection with the crisis in the automobile sector, has been noted by politicians in Germany. And the fact that the hardline neo-con faction failed to get a majority of votes in the national elections in September, so that a Grand Coalition of Christian and Social Democrats had to be formed, instead, also played a role, in creating a more pro-state environment here.

Two acute crisis developments finally tilted the balance: 1) the unprecedented collapse of the power supply for a quarter-million citizens in the Münsterland region, for four days, at the end of November; 2) the freezing of all operations at Deutsche Bank Real Estate, on Dec. 12.

## Power Breakdown

The power collapse, evidently a result of several years of disinvestment by RWE, one of Germany's four leading power suppliers, hit Germany on the eve of new drastic price increases, planned by the power sector for January 2006. For years, gas and oil prices for electricity and heating have been rising, without any regulation by the government. The state of Baden-Württemberg even abolished all controls, five years ago. The net result is an average energy bill of 1,800 euros for a household of four persons, the German Tenants Association reported on Dec. 18. That is the equivalent of a skilled worker's monthly income. Since 2000, prices for electricity have increased by 25%, for household gas by 40%, and for heating oil by 50%. And for January 2006, the power suppliers and utilities of the urban regions have planned increases by 5-8%. The RWE disaster, which is being called the "German Enron," has created a broad public outcry, and politicians are coming under heavy pressure to intervene. In a surprising move, Roland Koch, the state governor of Hesse, normally a radical neo-con, decreed that none of the price increases will be allowed, for the time being. Also the government of North Rhine-Westphalia, the state where Münsterland is located, decided to put prices on hold, and has threatened a return to regulation of the privatized power sector. The state of Schleswig-Holstein has warned the power sector not to continue its radical pro-shareholder policy, but

to transfer some of its profits to the consumer, as well. Dietrich Austermann, the economics minister of the state, reminded managers of the "common good" clause of the German constitution, which states that "property implies a social obligation."

Others states, where the governments have already approved most of the planned price increases in the power sector, are faced with an outcry. In Brandenburg, the three biggest parties in the parliament are calling on the government to intervene. The case here is a special one, because the governor of the state is none other than the national Social Democratic Party chairman, Matthias Platzeck. And in Baden-Württemberg, Gov. Günther Oettinger, also an advocate of free-market economics, felt compelled to denounce the energy price increases as "poison for the economy." So far, Oettinger has not shown any commitment to return to controls in his state, which abandoned them in 2000, but he may change his mind soon, because the wind keeps blowing against the governing Christian Democratic Union, which risks losing votes in the March 26 elections for state parliament.

## Crisis at Deutsche Bank

The second main driver for reregulation in Germany has been the situation at Deutsche Bank's real estate division. Without warning, the management decided on Dec. 12 to freeze all operations at the division, giving as the official reason the attempt to prevent a "panic" among the more than 300,000 mostly smaller shareholders. Rumors that Deutsche Bank Real Estate was in trouble and would be forced into a drastic re-evaluation of share value, had indeed caused a run on deposits.

Deutsche Bank thereby caused a threat of upheaval in the rest of Germany's real estate sector, and the bank's CEO, Josef Ackermann, was summoned by Jochen Sanio, the director of the Federal Financial Supervisory Board (BAFIN) for a report. Ackermann had to answer questions about plans for a discount-sale of the real estate branch to some hedge fund or private equity fund, for which a freeze of operations and a forced re-evaluation of the shares would be a precondition. Ackermann's answers to Sanio's questions apparently were insufficient, and the BAFIN announced on Dec. 20 that it had launched an investigation of a potential orchestration of the crisis at Deutsche Bank Real Estate, including illegal insider deals.

On Dec. 20, the German Finance Ministry announced new legislation for tighter controls of hedge fund operations and for increased powers of the BAFIN to investigate suspected illegal and damaging activities on the part of the funds. Furthermore, leading financial policy experts of the Christian and Social Democrats have called for a special session of the relevant parliamentary bodies, to discuss measures to protect the real estate sector. Evidently, the era of privatization and radical deregulation is coming to an end.

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# Business Briefs

## Russia

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### Putin Committed to 'Leadership in Energy'

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On Dec. 22, Russian President Vladimir Putin addressed a special session of his country's Security Council on the topic of "Russia's Role in World Energy Security." While stressing the export of fossil fuels, especially Russia's position as the leading natural gas exporter in the world and the second leading oil exporter, he also emphasized, according to Russian press reports, the prospects for greater development of nuclear power. On the fossil fuel front, Putin emphasized the planned oil-export pipeline to the Pacific, which he said could be augmented by natural gas export lines in the same direction.

While the Baltic Sea floor gas-export pipeline has been in the headlines, as has former German Chancellor Gerhard Schröder's joining its board, Putin and the Gazprom team, led by Dmitri Medvedev (who is also now First Deputy Prime Minister and was recently identified by Lyndon LaRouche as representing the "fascist" tendency in Russian policy), have been moving aggressively to capitalize on Russia's energy relations with other world powers. On Dec. 13, Gazprom deputy chairman Alexander Medvedev (no relation) announced at a Berlin press conference, that his company intends to achieve "more than 10% of the U.S. market share by 2010," increasing that to 20% soon thereafter. This goal would be achieved through liquid natural gas (LNG) exports.

Earlier in the Fall, Medvedev accompanied Minister of Industry and Energy Victor Khristenko on a tour of the United States, to further this Gazprom goal. A related development was Russia's attempt to recruit former U.S. Secretary of Commerce Donald Evans, a close associate of the Bush machine in Texas, to serve as co-chairman of the board at the state-owned oil company, Rosneft. On Dec. 20 Evans declined the offer (citing family reasons, while praising Russia's commitment to meeting international standards for transparency and high-quality corporate management), which had been put to him by Putin personally.

Putin, when queried about the Evans job offer on Dec. 16, said it was natural for Russia to seek top international managers, given

that companies like the state-owned Rosneft are in the process of launching IPOs in international markets. IPOs by Russian firms have been one of the hottest items on the London Stock Exchange this year.

## Labor

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### African-American Job Losses Rise Sharply

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"Black Joblessness Grows to Record Levels" was the headline of a wire story reporting on the November unemployment report of the Bureau of Labor Statistics, which showed that unemployment among African-Americans had officially reached 10.6%. This was a huge leap from October's 9.1%, while the overall national unemployment rate "officially" stayed the same at 5.0%.

Rep. Mel Watt (D-N.C.) of the Congressional Black Caucus, in a statement, warned that the black unemployment rate is actually significantly higher than that: Watt says the sustained displacement of hundreds of thousands of Hurricane Katrina evacuees is making it very difficult for them to look for jobs, so that the percentage of labor-force dropouts in the African-American population has grown sharply.

## Speculation

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### Germany Tightens Control of Hedge Funds

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Although former German Chancellor Gerhard Schröder's initiative at the Group of 8 for improved controls of hedge fund activities has not made much progress, due to (as Schröder himself exposed) opposition from London and New York, Germany is implementing national legislation, according to Dec. 20 news reports.

The Ministry of Finance chose two approaches to tighten defense against speculative hedge fund operations: 1) The funds have to report in detail about their activities in Germany, to the Federal Financial Sector Control (BAFIN), from mid-2006 on; 2) the BAFIN will be given greater investigative powers, for example, to launch unannounced

raids on funds' offices, and to seize files, including computers, if there is suspicion of illegal operations.

This partially overlaps with other legislation to protect German industrial and other assets against hostile takeover, for example, by hedge and private equity funds. Boards of threatened firms will be authorized to take measures against hostile takeovers, even without assembling the shareholders beforehand; furthermore, shareholders will have an 18-month privilege to defend their company or bank against takeovers, preventing speculative shareholder newcomers from aggressively dominating management decisions.

## Real Estate

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### U.S. Home Mortgages Go To High-Risk Borrowers

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About 13.4% of U.S. home mortgages at the end of June were contracted to borrowers considered most likely to default, the Mortgage Bankers Association reported. Since the size of the U.S. residential mortgage market is \$7.6 trillion, this means that \$1.09 trillion of home mortgages are "likely to default."

Yet, the housing bubble has several layers of leverage. Many mortgages are packaged into pools, and bonds are issued against them. The amount of bonds backed by these high-risk loans more than doubled since 2001, to \$476 billion, so there are two branching-points feeding the potential housing bubble explosion. First, the home mortgages themselves; second, the bonds issued against the mortgages.

The market "will deteriorate as housing slows down," said Christopher Flanagan, who runs debt-backed research at JP Morgan Chase & Co (which bank is the fourth largest issuer of mortgages in the United States). The dollar volume of mortgage loans made, may fall by as much as 25% next year, he said.

At the same time, the monthly Housing Market Index, compiled by the National Association of Home Builders and Wells Fargo Bank, a gauge of builder confidence in the single-family home market, declined four points to a reading of 57, its lowest level since April 2003.

## Argentina, Brazil Pay Off Debt To IMF; Bankers Nervous

by Cynthia R. Rush

During the week of Dec. 11-17, the governments of Brazil and Argentina unexpectedly announced that they would pay off the balances owed the International Monetary Fund (IMF) before the end of this year. On Dec. 13, Brazilian Finance Minister Antonio Palocci told reporters that the Lula da Silva government would dip into its sizable \$63 billion in reserves to pay the \$15.56 billion it owed, noting this would save \$900 million in interest payments. Two days later, Argentine President Néstor Kirchner announced that he would also use Central Bank reserves to pay an outstanding balance of \$9.8 billion, saving \$1 billion in interest payments.

While IMF Managing Director Rodrigo Rato nominally “welcomed” both actions, he was decidedly unenthusiastic about Argentina’s decision. President Kirchner’s Dec. 15 speech at the Presidential palace was a strong nationalist attack on IMF policies for plunging Argentina into poverty and indigence. His denunciation of the Fund, and assertion that by paying off the \$9.8 billion, “we are burying a good portion of the ominous past of infinite indebtedness and eternal adjustment,” brought the audience of business leaders, provincial governors, legislators, trade unionists, and human rights activists to their feet in an ovation.

Two members of the LaRouche Youth Movement were also present and were able to hand out copies of *EIR* and several of Lyndon LaRouche’s strategic writings to Cabinet members and other attendees.

Rato said on Dec. 16 that he was pleased with Argentina’s repayment plan, but that the country faces “important challenges and opportunities,” and that the Fund stands ready to come to its assistance in meeting those challenges. In his year-end press conference a few days later, he made a point of saying that Argentina still has many “pending reforms” to be carried out, and that it would do well to follow Brazil’s example of a “prudent” and “coherent” fiscal and monetary policy.

In contrast, Rato exuberantly declared that Brazil’s announcement reflected the “growing strength of its external position” and “excellent track record of policy management by Brazilian authorities.” The Fund, he said, “looks forward to continuing a close and constructive relationship with the Brazilian authorities.”

### **What’s the Difference?**

There is no big mystery behind Rato’s quite different responses to what were, on the surface, similar decisions by the two governments. As soon as he took office on Jan. 1, 2002, President Lula abandoned the anti-IMF pledges of his campaign, and with typically Brazilian pragmatism, accepted the IMF’s policy dictates.

In his Dec. 13 announcement, Wall Street agent Palocci, along with fellow financial predator Henrique Meirelles, president of Brazil’s Central Bank, attributed the government’s ability to make this prepayment to the success of the orthodox IMF policies they have enforced for the last three years.

Not so with Kirchner. The debt owed the IMF “has been a constant vehicle for interference, because it is subject to periodic review and is a source of demands and more demands,” he said. “The International Monetary Fund has acted toward our country as a promotor of, and vehicle for, policies which provoked poverty and pain among the Argentine people, at the hand of governments that were lauded as exemplary students of permanent adjustment. Our people can corroborate that.”

The experience of Argentina’s Dec. 23, 2001 default on \$88 billion in public debt, and the devastating crisis that ensued, is sufficient proof, he noted, “that that international agency first backed real political failures”—the currency board policies of the 1990s—and then “wouldn’t give one penny of aid to [help us] overcome the crisis or

to restructure the debt.”

For a long time, Kirchner explained, “we have been instructed in impotence and told that we can’t do anything. . . . They wanted to instill in our soul the certainty that reality is untouchable. . . . They wanted to make us believe that not to do anything new is the only realistic option.” But now, he warned, the Argentine President will use his “popular mandate” to act as a protagonist, in the best interests of Argentina’s people.

## It’s the Global System

Despite their economic policy differences, the process involving Argentina and Brazil is complex, precisely because of the existing conditions of *global* financial meltdown, combined with the political upheaval taking place in Washington, D.C.

Lyndon LaRouche remarked on Dec. 16 that Ibero-American governments all know that the Bush Administration is not in the greatest shape, and they are taking steps to free themselves of as many sources of threat as possible, and get some degree of management over their own affairs. While prepayment to the IMF may take the form of a concession, he said, these are concessions to *end* concessions. “They are saying, ‘We did this nice thing by paying you. You demanded it; now why don’t you be reasonable?’ ”

Moreover, LaRouche explained, the very interesting aspect to this is that the IMF is no longer the creditor. There is a fiduciary relationship between the IMF and these countries, but no such relationship exists between debtors and *private* interests, many of whose alleged debts are of very dubious character. So, the ability to impose regulation on these countries’ internal balances is ended, LaRouche underscored. “None of these creditors has the power to demand—that is, with the force of regulatory authority—that the debtors obey.” They have no judicial authority.

This makes synarchist financier interests very nervous. They don’t like the reports that the Brazilian and Argentine Presidents discussed their actions beforehand, first at their bilateral meeting Nov. 30 in Puerto Iguazú, Brazil, and then with Venezuelan President Hugo Chávez during the Dec. 8-9 Mercosur (Southern Cone Common Market) summit in Uruguay. Chávez’s role in this decision was to agree to substantially increase his purchase of Argentina’s public debt bonds, for which Kirchner thanked him in his Dec. 15 speech.

Reflecting the concerns of the synarchists, London’s *Financial Times* fretted in its Dec. 16 edition that repayment by “two large borrowers” like Brazil and Argentina “raises fresh questions about how the Fund will pay for its operations at a time of low demand for its loans.”

## ‘Harmonization of Interests’

In the current global context, financiers are fearful that the “heterodox” policy path that President Kirchner has outlined, especially in the wake of his solid victory in the Oct. 23 mid-

term elections, could affect developments in Brazil, where there is a raging brawl taking place over IMF policy. Members of Lula’s own Cabinet—Vice President José Alencar, Chief of Staff Dilma Rouseff, and Industry and Trade Minister Luiz Furlan, among others—have publicly attacked the Palocci/Meirelles duo for savaging real production and living standards, with their lunatic policies of 18.75% interest rates and a primary budget surplus equivalent to 4.25% of Gross Domestic Product.

When the Argentine President fired Finance Minister Roberto Lavagna on Nov. 28 and replaced him with economist Felisa Miceli, president since 2003 of the state-run Banco de la Nación, it set off alarm bells at the IMF and among allied banking circles. Miceli had experience in devising state financing programs for public development projects, and unlike Lavagna, didn’t buy the idea that orthodox austerity measures were the only way to combat Argentina’s increasing inflation.

The Cabinet change was scrutinized carefully in Brazil. According to the Dec. 3 Brazilian daily *O Globo*, when IMF Deputy Managing Director Anne Krueger visited Brasilia on Dec. 1, she worriedly asked everyone she met, “Do you know anything about Felisa Miceli? Where she came from, and where she’s going?” *O Globo*’s columnist asked whether Miceli would become “the Dilma Rouseff of the land of Kirchner,” alluding to the firestorm that Lula’s Chief of Staff set off on Nov. 9, with her barrage against her government’s economic policy.

Argentina’s state press agency Télam published on its website this author’s article from *EIR* of Dec. 9, which includes LaRouche’s analysis of, and support for, Kirchner’s dumping of Lavagna.

To the horror of foreign bankers and free-marketeers, Kirchner and Miceli have not only become “interventionist,” but have echoed the “harmony of interests” concept most identified with the great 19th-Century American System economist Henry C. Carey. Miceli used the term “harmonization of interests” on Dec. 2 in discussing price-reduction agreements reached with representatives of different economic sectors.

On Dec. 7, Kirchner told business leaders that he would fight growing inflation, not by imposing the IMF’s recommended austerity measures, but by issuing a \$1.5 billion credit line through the Banco de la Nación, for productive investment in purchase of capital goods for industry and agriculture. The ten-year loans carry subsidized interest rates.

But he also told the businessmen that they had a great “social responsibility” to ensure that their profit levels are balanced with protecting the General Welfare. “There are methodologies,” he said, “that will allow us to reconcile interests, such that those who stay at home, those who work hard, will absolutely be protected by a responsible State,” and by business, “with the responsible support” of workers and their organizations.

## 'The Guy Upstairs' Doesn't Take Polls

by Dean Andromidas

Since Histadrut Chairman Amir Peretz assumed chairmanship of Israel's Labor Party on Nov. 9, the country has been hit with one political earthquake after another. Peretz changed the agenda from Prime Minister Ariel Sharon's security and "maybe" peace, to a clear and decisive call for negotiations for a real peace with the Palestinians, and a new socio-economic agenda that will give not just military security, but social security to the Israeli people. Peretz transformed the moribund Labor Party into a fighting political force, filling it with determination to win state power, prompting Sharon to leave the Likud party, throwing that top right-wing party into disarray. Polls forecast that Sharon's new Kadima party could get as many as 42 Knesset seats in the elections in March 2006.

But on Dec. 18, Sharon's hospitalization with what was described as a "mild stroke," and a bit of reality undermined the campaign of Sharon's spin doctors. Yoel Marcus of the daily *Ha'aretz* wrote on Dec. 20, "The guy upstairs tapped Sharon on the shoulder at a very bad time. Even if the prime minister leaves the hospital with a clean bill of health, there has been a dramatic political development whose consequences are difficult to foresee."

An Israeli source told *EIR*, that the political deck has once again been reshuffled. "Everyone has become a medical expert, and now speculation on his health and age will become a theme in the election."

### Political Realignments

Speaking at a Labor Party convention on Dec. 20, Amir Peretz made clear that "the issue of public concern is not Sharon's health, but the health of Israeli society." Peretz underlined, "A Palestinian state has become a consensus. The slogan 'two states for two nations' is also heard in Likud. But Mr. Prime Minister, we've never agreed to create two nations within our *own* country. The health of the state of Israel and broad swaths of the nation will head the agenda. The prime minister must not continue to evade his responsibility for the societal fracture in Israel," he said, referring to the growing gap between rich and poor Israelis.

The Labor Party's primaries will take place on Jan. 17 to decide its list of candidates for the Knesset, after which the campaign will go into high gear.

On the other side of the political spectrum, on Dec. 19,

the Likud party voted for Benjamin "Bibi" Netanyahu as its new chairman. The fact that the fanatic Moshe Feiglin, leader of the so-called "Jewish Leadership" faction of the Likud, received 15%, has become a scandal. He is even more of a fascist than Netanyahu. Commentators are writing that this has put the Likud on the extreme right, and are calling it the party of "Bibi and the Feiglins." It is now feared that under Netanyahu, Likud will gain the support of even more extreme right-wing voters, and become the first mass-based fascist party in Israel.

For the Labor Party, a Likud under the leadership of Netanyahu becomes an easy target for attack, since he is the author of the radical free-market policies that have left much of the population, and the Likud's own working-class base, in a state of impoverishment.

### Palestinian Elections

The political earthquakes and tremors that have struck Israel have also spread into the Palestinian National Authority. Marwan Barghouti, Mohammed Dahlan, and Jibril Rajoub, three of the younger generation of leaders of Fatah, the leading party in the Palestinian National Assembly, announced the formation of a new party, named al-Mustaqbal ("Forward"). Barghouti, who is currently in an Israeli prison and is the most popular Palestinian leader, formed the party in reaction to the continued domination of the Fatah by the old guard, much of which is seen as discredited and corrupt by the electorate. Both Lyndon LaRouche and former U.S. Secretary of State James Baker III called for Barghouti's release, after the death of PLO leader Yasser Arafat earlier this year, so that he could become a partner in peace negotiations.

Dahlan brings to the new party his strong base of support in the Gaza Strip, while Rajoub, who was Arafat's security chief, brings a strong base of support in the West Bank. All three are strong nationalist leaders who support a two-state solution to the Palestinian-Israeli conflict. Other leading members of the new party include Barghouti's wife, Fadwa; Palestinian parliamentarian Kadoura Fares; and former Fatah official Samir Masharawi.

With Palestinian elections on Jan. 25, it is hoped that the new party could defeat the Islamic Hamas party, which made substantial gains in local elections in the West Bank early in December. In Nablus, the largest city in the West Bank, they won 73% of the vote, giving them 13 seats on the 15-seat council. The other two seats went to Fatah and an independent. In Jenin, Hamas won 8 of the 15 seats, the rest having gone to Fatah and the Popular Front for the Liberation of Palestine. In Ramallah, Hamas won three, while Fatah won six and the PFLP also won six.

Commenting on this development, a Labor Party source told *EIR*, "It is not coincidental that there is a political earthquake both in Israel and among the Palestinians at this time, since the future of both people are so very intertwined."



# The Flagellants of Val di Susa And the Danger of Bonapartism

by Claudio Celani

A popular upsurge has stopped the construction of a vital transport infrastructure link, the Turin-Lyon high-speed railway line, which is planned to connect Lisbon, Portugal to Kiev, Ukraine, running south of the Alps, as part of the “Corridor 5” trans-European project. Although the suspension of the construction site is said to be only temporary, in expectation of clarifying alleged environmental issues, the development has to be seen in the context of growing European-wide “Flagellant-type” mass movements, promoted and used by pro-feudal oligarchical forces in a strategy to overthrow the institutions of the nation-state. As Lyndon LaRouche had forecast years ago, globalization is unleashing Jacobin mobs, which are used to justify the introduction of police-state, anti-constitutional regimes, as recently seen in France as a response to the upsurges in the “banlieues,” the slums surrounding Paris.

The mass upsurge in Val di Susa (Susa Valley) was planned on March 15, 2003, when the three largest environmental organizations, Legambiente, WWF (Worldwide Fund for Nature), and Italia Nostra, met to plan the opposition to the agreement signed between the Italian and the French government to build the high-speed railway between Lyon and Turin. The agreement includes the highly productive regions of Northern Italy in the East-West transport corridors which are planned to connect continental Eurasia from the Atlantic shores of Europe to the Pacific coast of Asia.

The Turin-Lyon connection, in particular, is supposed to at least double the existing transport capacity, in expectation that trade between Italy and France will double by the year 2030, reaching 80 million tons/year. Today, rail carries only 8 million tons/year, whereas the road is overburdened with 31 million tons yearly. The existing rail capacity could transport only an additional 4-5 million tons, by adding trains during the night. The new high-speed Treno ad Alta Velocità (TAV) line is therefore designed not only to absorb the planned trade increase, but also to help move the highly polluting freight transport off the road to the railway, making roads safer for auto drivers.

Furthermore, most of the new traffic will take place inside a tunnel system, thus protecting the local population

from noise pollution as well. The centerpiece of the system is a new 54-kilometer tunnel at the French-Italian border, which will be the longest rail tunnel ever built under a mountain.

It is the tunnel which the anti-TAV mobilization has singled out, and turned into a disinformation target, with the aim of manipulating the population of the Val di Susa. Among other scare stories, reports were spread that by drilling the tunnel, uranium and asbestos material would be released from the mountain and spread into the valley, transforming the Val di Susa into an Italian Chernobyl. Further, it was alleged that during the 15-year-long construction of the tunnel, thousands of trucks would run in and out of the valley each day, transforming the life of its inhabitants into a living Hell.

Such scare stories manipulated the local population, which took to the streets en masse, to demonstrate against the TAV and block the construction site. No matter that such stories are spread by so-called “experts” who support anti-growth policies, and who promote the illusion that society could be sustained by “winding down” its mechanisms. Fear is irrational and prevents thinking. Under pressure, local administrators of all parties decided to ride the wave of popular protest. Thus, whereas most political parties, except the extremist Green Party and the leftist Rifondazione Comunista, are supporting the TAV project, their local representatives marched against their national and regional leaders. Following a demonstration of 70,000, a group of protesters occupied the premises of the tunnel construction site, thus preventing the work from starting.

The government decided to use force against the blockade. Overnight, Dec. 5-6, police raided the site where protesters had put up their tents, and brusquely removed the squatters. A few people were hospitalized. The raid prompted an escalation of the protests; the next day the population, led by their local mayors, reoccupied the site. More worrisome, hundreds of radical activists (*autonomisti*) moved from throughout the country into Val di Susa, prompting Interior Minister Giuseppe Pisanu to warn that the protest could degenerate into violent acts and expand to guerrilla warfare

## Corridor 5 Trans-European Rail Project



in metropolitan areas such as Turin, Milan, and Rome. A day of clashes between masked *autonomisti* and the police in Val di Susa provided credibility to Pisanu's warnings.

However, the opposition parties, and even the Lega Nord (Northern League), which is part of the government, warned that the government should abandon the confrontationist line and accept a "dialogue" with the local representatives, which the government finally did. On Dec. 10, a meeting between government ministers and Val di Susa local representatives took place, and it was agreed to suspend work at the construction site until a newly formed Commission for Environmental Impact (CIA) has given a green light.

However, the most radical faction of the protesters is against the TAV project altogether, and is currently hegemonic in the Val di Susa upsurge. Therefore, no question has been solved so far. Piedmont Governor Mercedes Bresso, a representative of the Center-Left coalition, has warned that if the current compromise fails, "the only alternative will be the militarization of the Val di Susa." Indeed, that is the most probable outcome in six months, when the deadline for the suspension of the work expires.

### The Oligarchy Behind the Scenes

In reality, the upsurge in Val di Susa is part of a broader phenomenon, which characterizes a new phase in the "New Dark Age Project" of the anti-nation-state oligarchy. This phenomenon is the emergence of mass-based, Flagellant-like movements, to be used as a battering ram against all existing investment projects, and ultimately against the institutions of the constitutional nation-states. Italy, as it was in the 1920s, seems to be the forerunner of this new fascism,

to be followed by other nations. To understand this better, one has to look at the real mastermind behind the environmentalist upsurge.

Among the three aforementioned environmentalist organizations, Legambiente, WWF, and Italia Nostra, which planned the Val di Susa "No-TAV" movement in 2003, the former two are spinoffs of the latter. Italia Nostra was founded in 1955, under directions from Elena Croce, the daughter of the famous Hegelian philosopher Benedetto Croce, who had been a supporter of Mussolini until 1936, and who co-founded the Congress for Cultural Freedom in 1950. Elena Croce was the "Popess" of Italian culture in the postwar period, on behalf of synarchist Anglo-American circles who represented the same financial forces that had backed both Hitler and Mussolini. Her task was to make sure that Italian Classical culture would be destroyed, both in literature and music, and replaced with "modern," i.e., Romantic, sex-obsessed productions. This was done through the Congress for Cultural Freedom, (CCF).

In 1955, Croce assigned a group of land-owning aristocrats, their court "intellectuals," and intelligence agents, the task of building an anti-progress organization which would combat and reverse the industrialization of Italy. This was Italia Nostra, among whose founding members one finds CCF personnel, such as Giorgio Bassani, and intelligence operatives like Michael Howard, a former British Psychological Warfare Board officer who married a Caetani princess and played an obscure role in the kidnapping of former Italian Prime Minister Aldo Moro. Italia Nostra began fighting urbanization policies, but remained an elite organization. In 1966, out of a rib of Italia Nostra was born the WWF-Italia, which developed a larger base, especially profiting from the ongoing anti-progress paradigm-shift in the 68er generation. In addition, when the traditional working-class parties and trade unions were ripe to fall for the new fascist paradigm, the leftist environmentalist organization Legambiente was founded in 1988, by former WWF activists.

Although today, Legambiente is the largest environmentalist group, in the forefront of every environmentalist initiative, it is still the oligarchy nested around Italia Nostra which determines strategies. Of course, your typical anti-war leftist member of Legambiente does not even know that he is manipulated by a bunch of oligarchs whose final aim is to deprive him of his constitutional rights—but that is the truth of the matter.

A couple of months ago, Italia Nostra chairwoman Countess Desideria Pasolini Dall'Onda, gave a rare television interview to issue a battle-cry for the new Jacobin mob. Countess Desideria is a founding member of Italia Nostra, and correspondingly old. She recounted how she pioneered, with Elena Croce, the founding of environmentalism in Italy, after the model of British "conservationist" institutions. She then explained that the task for the second millennium is to

fight “infrastructure” altogether, and to prevent “urbanization.” She singled out one infrastructure project, in particular, the Messina Bridge between Sicily and mainland Italy, as the project which must absolutely be defeated. The problem however, she said, is the new legislation introduced in 2001, called “Legge Obiettivo,” which establishes a “fast lane” for infrastructural projects that are considered to be strategic for the nation.

The Legge Obiettivo has indeed accelerated decisions for a number of projects, including the Messina Bridge, but also all TAV projects in Italy, by simply restricting negotiations on environmental impact to a body formed by the government and the regional authorities, thus bypassing local obstructionism. On its side, the regional government has the responsibility of negotiating with local authorities where the project is supposed to be built, and achieve consensus, eventually with the use of compensation.

### The Bonapartist Card?

Whereas the Legge Obiettivo has allowed the bypassing of local obstructionism, which de facto has prevented all major infrastructural projects for 30 years, a question must nevertheless be raised as to whether the national government and the Piedmont regional governor have been remiss by failing to carry out any kind of information campaign and/or negotiations which could have prevented the upsurge of the protest. Opponents of the Berlusconi government point out that on the French side, where work on the tunnel has already started, a large information campaign had been carried out by the government. On the Italian side, perhaps a pre-emptive education of the local administrators could have worked to that effect.

Such a question is legitimate because in the oligarchical scenario, not only “leftist” Jacobin forces are at work, but also the “right-wing” reaction. Many doubts have arisen, for instance, on the *nacht und nebel* action of the police, which recalled the brutality used in Genoa, in the year 2001, against the headquarters of the anti-G8 demonstrators. Such actions, some are warning, have the effect of escalating the conflict. In the past, explosive devices were placed but not ignited, in a demonstrative act, against the TAV project. It is easy to imagine what could happen when the conflict escalates.

One member of the Italian Senate, Gigi Malabarba, has warned that the current head of the Italian police, Gianni De Gennaro, is allied to the U.S. neo-con faction, and has ambitions of becoming the “Italian Negroponte,” i.e., the czar of a militarized “anti-terrorism” war. The Genoa events were not the only product of De Gennaro’s tactics; even the assassination of Italian military intelligence official Nicola Calipari in Iraq, by U.S. forces, has to be seen in this process, Malabarba warned.

Thus, it would not be surprising if this neo-con faction in Italian police and military institutions plays the “Bonapartist

card,” using the Jacobin upsurge as a pretext. After all, this faction is controlled by the same oligarchy that deploys the Jacobins. History repeats itself.

However, the insanity of the anti-TAV opposition has provoked a significant healthy reaction in the country in favor of infrastructure. People can see that the same political forces, for instance the Greens, who are supporting the No-TAV movement, are those which have prevented the construction of energy plants, roads, and even incinerators for garbage. Today, Italy has to import nuclear-produced electricity from France, Switzerland, and even Slovenia, because Italy’s nuclear program was forced to shut down; until very recently, daily trains loaded with garbage were travelling from the southern Campania region to Germany, in order to burn garbage, because incinerator plants were blocked by local opposition; and so on.

Interpreting the general mood, state President Carlo Azeglio Ciampi, a popular figure, declared that “Italy cannot risk being isolated” by failing to build modern transport infrastructure. It is hoped that in the remaining weeks, a pro-TAV, multipartisan majority among political forces will succeed in affecting local institutions and isolating the radicals. If that occurs, the enemy has lost a battle. However, the war can be won only if the systemic reforms indicated by Lyndon LaRouche are implemented.

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## Book Review

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# New Research Sheds Light on Prussian-American Relations

by Michael Liebig

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### **Preussen und die USA 1850-1867: Transatlantische Wechselwirkungen (Prussia and the USA 1850-1867: Mutual Influences Across the Atlantic)**

by Enno Eimers  
Duncker & Humblot, Berlin, 2004

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*This article first appeared in the German weekly Neue Solidarität, and has been translated from German. Quotes from English-speaking writers have been back-translated from German.*

Enno Eimers' weighty tome—almost 700 pages—is an example of thorough academic work. He has gone to the Prussian Secret State Archives and to the U.S. National Archives in Washington, to review original documents covering the period between 1850 and 1867. Not an easy read perhaps, but a veritable gold mine for anyone who would seriously explore Prussian-American relations—so, one plunges enthusiastically into its depths.

Even among historians, acquaintance with the course of German-American relations in the interval between the War of Independence and World War I tends to be slight. Who today recalls that in 1785, Frederick the Great signed a Friendship and Trade Treaty with the U.S.A., and that as early as 1780, during the American War of Independence, Prussia joined the League of Armed Neutrality against Great Britain? Or that Neidhardt Gneisenau, then a young officer, wrote a military treatise on the War of Independence? That Alexander von Humboldt travelled to the U.S.A. in 1804 as the guest of President Thomas Jefferson, the start of von Humboldt's lifelong ties to that country? That John Quincy Adams, one of the greatest Presidents, had been U.S. envoy to Berlin from 1797 to 1801? That Friedrich List became an American citizen, and lived in the United States for eight years, where he wrote his Treatise *Outlines of American Political Economy*? That during the 19th Century, many prominent Americans

studied in Germany, and notably at Göttingen University?

Eimers' work shows just how very close Prussian/German-American relations were, between 1850 and 1867, both in politics and in economics. Prussia, like the other German states, was not so fixated upon the "concert" of European powers, that the United States might seem but of marginal importance. To Prussia's foreign policy, the United States was a major factor, notably on account of the tensions with Great Britain and France. The power of the United States afforded Prussia some leeway in foreign policy, which was put to good advantage in the European power struggles. Chancellor Otto von Bismarck's strategy to unify Germany under Prussian leadership would have been unthinkable without American flanking support.

### **Von Humboldt and His Networks**

Between 1850 and 1867, two figures played a special role in Prussian/German-American relations: Alexander von Humboldt and his protégé Friedrich von Gerolt, the Prussian envoy to Washington. At the Prussian Court and government, Alexander von Humboldt was, in a manner of speaking, chief of the "U.S. lobby," as he took the view that the U.S. Constitution and system of governance were a model to be envied. Humboldt was close to the Prussian King Friedrich Wilhelm IV and to his brother and successor Wilhelm, who was to become Kaiser Wilhelm I. Both monarchs were well-inclined toward the United States, to the distaste of Prussian reactionary circles. This pro-American stand became apparent during the Crimean War, the U.S. Civil War, and the unrest in Mexico over Emperor Maximilian. Humboldt was a frequent visitor to the U.S. Legation in Berlin, just as American travellers in Germany were often Humboldt's guests. Insofar as slavery was concerned, Humboldt intervened into U.S. domestic policy, and supported the anti-slavery faction there, notably the explorer John Charles Frémont. The latter was decorated with the Pour le Mérite (Peace) Award in 1861 by the Prussian King.

When von Humboldt died on May 6, 1859, the U.S. envoy to Berlin, Joseph Wright, wrote to his country's Secretary of State Lewis Cass: "Baron von Humboldt's welcome to the



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*Friedrich von Gerolt, the Prussian envoy to Washington for a quarter-century, was a staunch supporter of the Union cause during the U.S. Civil War. He was convinced from the outset that the Union would prevail.*



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*Alexander von Humboldt, the great German scientist and explorer, was also active in the Prussian Court and government as a kind of chief of the "U.S. lobby."*

countless U.S. citizens who came into contact with him was boundless; I have always felt that to be a warm recognition for our nation." Humboldt corresponded incessantly with friends in America, notably with the aforesaid von Gerolt, Prussia's envoy to Washington from 1844 to 1848, and again from 1849 to 1871.

Von Gerolt was born near Bonn. As a 16-year-old, he had taken part in the German Wars of Liberation, and had then become a civil servant in the Prussian State Mining Administration. After a stint as consular official in Mexico, he became envoy to the United States through von Humboldt's good offices, and notably the latter's ties to the King. Gerolt became a diplomatic institution in Washington, in close contact with many U.S. political figures, including several Presidents and Secretaries of State. The quarter-century during which von Gerolt was envoy saw the Presidencies of Polk, Taylor, Fillmore, Pierce, Buchanan, Lincoln, Johnson, and Grant. After stepping down from office in 1855, President Fillmore became the only serving U.S. President in the 19th Century to visit Germany. In Berlin he met with Alexander von Humboldt and King Friedrich Wilhelm IV.

### **Rapid Expansion of U.S.-Prussian Relations**

During Gerolt's watch at the Prussian Legation at Washington, new Prussian Consulates were established, for a total of 14: New York, where von der Heydt, the son of the Prussian

Minister of Trade, was consul; Philadelphia, Baltimore, Charleston, New Orleans, St. Louis, Galveston (Texas), Savannah, Cincinnati, San Francisco, Louisville (Kentucky), Milwaukee, Chicago, Boston, and New Bedford. Only Great Britain had more consulates. That presence reflected two major factors in Prussian/German-American relations: 1) the huge German emigration to the United States; and 2) their extensive trade relations.

While von Gerolt was in Washington, over 1.5 million Germans emigrated to the United States; overall, between the American Revolution and World War I, over 4 million Germans left for America. After the aborted 1848 "Revolution" in Germany, amongst the German immigrants to the United States were many "radical democrats," opposed to any form of monarchical rule; this current became quite prominent in German-American circles and in the U.S. Congress and government, without, however, adversely affecting Prussian-American relations.

By the 1850s and '60s, trade between the United States and the German Customs Union (Zollverein) was brisk, and grew

apace. American exports, first almost entirely agricultural—cotton, tobacco, rice, and grain—included, by the late 1860s, machinery, notably for the agricultural and lumber industries. The Customs Union, for its part, exported mainly metal and textile goods to the United States. In von Gerolt's day, the Customs Union became, after Great Britain, the United States' second most important trading partner. In 1846, the United States, Prussia and Bremen, then the main German harbor for the American trade, founded the Ocean Steam Navigation Company (OSNC), directed against British maritime supremacy in the North Atlantic.

Referring to the growing trade between Prussia and the United States, von Humboldt wrote of "the ever-narrower Atlantic," while von Gerolt emphasised that Prussia must realize that the United States was undergoing "an expansion in power, population and material well-being without historical precedent."

In 1855, Prussian Secretary of Trade von der Heydt wrote: "The importance of the United States for us as a market for our products has grown by leaps and bounds from one year to the next, and to such a degree, that the customs duty of that nation is, for our own industrial interests, of greater importance than that of most other states."

In terms of foreign policy—unlike Great Britain, France or Spain—Prussia had no territorial ambitions in North or South America, and had acknowledged, de facto, the Monroe

Doctrine. In 1871, Bismarck declared: “We acknowledge, insofar as the entire [American] continent is concerned, the predominant influence of the United States—as being grounded in the nature of things, and the most coherent with our interests.” To Alexander von Humboldt, the Monroe Doctrine was justified. Even in respect to the U.S. annexation of thinly populated and economically backward northern Mexico by the United States, he wrote: These territories “will very soon be accessible to civilization, agriculture, and trade.”

### **‘The Sole Power That England Had To Fear’**

Since the Declaration of Independence, Russian-American relations had always been excellent. This, as well as America’s close ties to Prussia, became patent during the Crimean War (1854-56), when Russia was attacked by Great Britain and France. Prussia and the United States remained neutral throughout, but their sympathies for Russia were unmistakable. Tension between Great Britain, on the one side, and the United States and Prussia on the other, almost came to war. In the Caribbean, the British and French were demonstratively deployed against American warships. Prussia and the United States strictly forbade any attempt by the British to recruit mercenaries on their territory. This led to the jailing of the British consul in Cologne, and to the expulsion of three British consuls from the United States.

On May 26, 1856, von Gerolt wrote to Prussian Foreign Minister Manteuffel that the United States “was the sole power that England had to fear,” as it was in a position to repel “British encroachment and pretensions.” After the Crimean War ended, on Sept. 4, 1856, von Gerolt wrote: “The United States have successfully established a position vis-à-vis England, enabling them to rein in what has heretofore been England’s monopoly on the high seas, as well as her encroachment and impertinence vis-à-vis weaker sea powers in those wars where England is involved.”

On Sept. 19, 1854, Prussian Minister of Trade von der Heydt wrote to Manteuffel: “Finally, one should not neglect to point to Prussia’s political stand, the which will probably destine her, in the fairly near term, to strengthen her ties with North America, and any hesitancy in this respect, owing to fear of trouble with England, in an issue that should rather be determined by Prussia’s interests alone, would be foolish.”

Prussia worked very closely with the United States in connection to Japan and China. When, in 1860, an official delegation from Japan visited Washington for the first time, von Gerolt took contact with them immediately. That was the year in which Prussian ships first sailed to Japan, using maps supplied by the United States government. The leader of the Prussian delegation, von Eulenburg, signed the first Prusso-Japanese Trade Agreement in 1860, and was actively supported by the United States legation in Japan. As a result, the U.S. consul general to Japan, Townsend Harris, was granted a high Prussian Order.

Wilhelm I, who became regent in 1858, and in 1861, King

of Prussia, was as positively inclined toward the United States as his predecessor Friedrich Wilhelm IV. In 1871, he arbitrated between the United States and Great Britain, in a conflict over the Canadian-U.S. border, deciding in favor of the United States. Prussian-American ties were firm enough to withstand the death of Alexander von Humboldt (May 6, 1859).

### **The U.S. Civil War**

Following a severe economic crisis in 1857, pressure mounted in the United States for protectionism, and a current led by the Republican Party, whose candidate was Abraham Lincoln, was elected President in 1860. In 1858, the renowned “American System” economist Henry C. Carey published his three-volume *The Principles of Social Science*, a powerful appeal for protectionism and “internal economic development.” Carey’s work was translated and published in Germany in 1863.

The protectionist movement in the United States, as well as Carey’s works when they reached Prussia and Germany, strengthened the hand of the faction in Germany associated with Friedrich List’s economic policy ideas. In the German economic debate, the idea of regulated trade to promote domestic economic growth gained further ground. Bismarck, moreover, had scrutinized how the United States, during the Civil War, had conducted and financed the war economy. It is critical to point out here that, far from being adversely affected by the protectionist measures on the U.S. side, the volume of U.S.-German trade increased constantly.

Even more so than during the Crimean War, the close ties between Prussia and the United States came to the fore during the U.S. Civil War. Joseph Wright, U.S. envoy to Berlin, wrote in 1861 to Lincoln’s Foreign Secretary, William H. Seward: “the government and the people [of Prussia] are, in spirit and sentiment, on our side.”

The moment the Confederacy announced Secession, Prussia made it plain that it backed the Union, and dealt with the Civil War as an “internal affair” of the Union. Prussia never recognized the Confederacy as a subject of international law, nor did Prussia ever contemplate the British/French policy of “negotiated peace” between the Union and the South. In 1863, von Gerolt wrote to Bismarck that the Union, even while the Civil War continued, would be in a position, should need arise, to conduct war against England and France. Alongside Russia, Prussia was America’s most reliable ally in Europe. All the more so, that Bismarck became Prussia’s Minister President in 1862. Bismarck’s correspondence with von Gerolt in Washington was as sustained as that with any of Prussia’s envoys to the European powers.

In the early phase of the Civil War, Prussia and the Customs Union delivered weapons to the Union. Still more significant, during the Civil War, most U.S. government bonds were negotiated on the German Exchanges, while the sole attempt to place a Confederate bond at the Frankfurt bourse failed. In the early phase of the war, the Prussian government,

and specifically von Gerolt, allowed German officers to enroll in the Union Army, including Capt. Paul von Radowitz, the son of a former Prussian Foreign Minister, Karl von Hardenberg; Prince Felix von Salm; and Oskar von Babender, among the better-known. A chapter in Eimers' work deals with German soldiers in the Union Army, as distinct from German-American soldiers in the Union Army.

In 1862—and this is no mere anecdote—Lincoln and Secretary of State Seward visited von Gerolt at his private home, a most unusual gesture to a foreign diplomat. The U.S. envoy to Berlin, Norman Judd, wrote in 1862 concerning von Gerolt: "His enthusiasm for our cause, the thorough knowledge of our public affairs, and of the origin of the rebellion, together with his firm conviction of the ultimate triumph of the government, has had the most favorable and beneficial influence on government circles here. His position has enabled him to talk freely to the King, Queen, and Crown Prince, as well as the circles mostly military that surround them. His influence however has not been confined to that circle, but has reached other influential personages."

From the very outset, von Gerolt was convinced that the Union would prevail. In Spring 1862, he wrote to the Prussian Foreign Ministry: "Through the tremendous material means that the willpower and persistency of the North have, in the present war, so very swiftly developed, the people are made aware of their own power and of the source of succor, and should the United States emerge triumphant from this struggle, an issue that one can no longer doubt, the Union shall step forth with fresh energy, as a power of the very first order." In March 1863, von Gerolt wrote to Bismarck that the U.S. Congress had "granted the President such power, for which there is no precedent neither in the history of the United States nor of that of most European States."

## Bismarck's Perspective

As early as 1857, Bismarck had written that Prussia had already "forgiven" the United States her "revolutionary origins . . . in the Treaty of The Hague of 1785." He soberly examined the growing economic, military, and political power of the United States, and was determined to use that power factor in world politics, for Prussia's diplomacy in Europe. The manner in which Bismarck obstinately maneuvered to achieve the unity of Germany under Prussian leadership, would have been unfeasible without the role played by the United States in international relations. That applies to the German-Danish War of 1864, the Prussian-Austrian War of 1866, and the Franco-Prussian War of 1870-71.

During the German-Danish War, Bismarck could skillfully counter the pro-Danish tendencies of England and France, because the latter two nations were in extremely conflictual relations with the United States throughout the U.S. Civil War. In the Prussian-Austrian War of 1866, France was prevented from moving against Prussia, essentially because her forces were pinned down by Napoleon's Mexican adventures,

while war with the United States loomed on the horizon. During the Franco-Prussian War of 1870-71, the United States posture was one of benevolent neutrality.

One year before the Franco-Prussian War, the U.S. envoy to Berlin, George Bancroft, wrote to the U.S. Department of State that France's unfriendly attitude toward any greater unity of the German people directly affected United States interests. "Trade between the United States and Germany is far more important for us, than that with any other power on the [European] continent," he wrote. Two short years before Bancroft's analysis, the United States and France had been on the verge of war over Mexico.

Here are the words of the U.S. envoy to Vienna, John L. Motley, to Secretary of State Seward in 1864: "Bismarck is a man of superior intellect, considerable acquirements, perfect courage and unyielding firmness. . . . The secret of Bismarck's success—for he is successful and is likely to remain so—is that he thoroughly believes in his creed. In the age of political skepticism it is something to believe in at all. And certainly the great characteristic of Europe today is political skepticism." And the U.S. envoy to Berlin, Joseph Wright, wrote to Seward in 1866: "Count Bismarck . . . is a statesman of large and enlightened views, exhibiting at all times the greatest frankness and friendship in all matters connected with our country."

Bismarck maintained particularly close ties to U.S. Envoy Bancroft, who stayed at Berlin from 1867 to 1874. Concerning the North German League, which Bismarck established after the victory over Austria in 1867, Bancroft wrote: "This wonderful result has special interest for America, because it has sprung from the application of principles which guided the framers of the Constitution of our United States. The constitution of North Germany corresponds in so many things with ours that must have been formed after the closest study of our system." Bancroft himself was the author of a five-volume history of the U.S. Constitution and a ten-volume history of the United States.

Bancroft had been a student at Göttingen University, studying ancient history under Professor Heeren, the founder of ancient historiography in Germany. Bancroft himself authored a book on the political system of ancient Greece. In the 1840s, he became Secretary of the Navy, and played a major role in the U.S.-Mexican War of 1846-48. He was then appointed U.S. envoy to London. Although Bancroft was a member of the Democratic Party, it was he who pronounced the funeral oration for President Lincoln in the U.S. Capitol. Prusso-American relations reached a high point with Bancroft and Bismarck, a reflection of the fact that here were two powers that aspired to great things, that respected each other's station in the world, two powers that, in terms of domestic progress, were similar in many respects, notably in terms of their economic and technological achievements. This is precisely our concern today, to which Eimers' work is a most worthwhile contribution.

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## Editorial

### *We Can Create a U.S. Recovery*

“If a single national facility, along the lines of what was done under the Franklin Roosevelt Administration’s Harry Hopkins and Harold Ickes, were established by the U.S. Congress, as a Federal authority with the mission to coopt the reserve capacity associated with the auto industry, especially the crucial machine-tool-design sector, for the indicated transportation and power objectives, the U.S. economy would rise rapidly to a level significantly above breakeven, up from the disaster, the collapse which looms today.”

This concept, enunciated by economist Lyndon LaRouche in a memorandum published in this issue’s *Feature* package, points the direction for an actual recovery of the United States economy. Thus, it presents the agenda not only for the U.S. Congress coming into 2006, but also for those increasingly politically oriented men and women who are looking to the Congress to solve the deepening disaster which characterizes their conditions of life, and is about to get much, much worse.

The cruel reality cannot be hidden by all the lying statistical reports. The story is told in the increase in homelessness, the increase in hunger, the utter devastation of the Gulf Coast, the mass closings of auto plants and suppliers, the creation of virtual bankruptcies of cities and towns which depend for the majority of their revenue on those now-threatened factories, to name only a few areas. The result of this takedown of the physical economy, which leads to fiscal collapse, is then compounded by the corruption of an Administration insanely committed to foreign wars of aggression, very costly wars.

But it is obvious that there are two totally different approaches to solving this problem. On the one side, there are the Synarchist bankers, the species which created monstrosities like Hitler and Mussolini, who, while recognizing the bankruptcy of the economy, seek to maintain their own power, the power of money, at the expense of the productive power of the people and the nation. This is the Rohatyn model, which, as LaRouche expresses it, is the way *not* to create a recovery. It may appear to be more “fair” than the meat-ax

which has been taken to social programs by the Cheney Administration, but it is just another route to a brutal bankers’ dictatorship.

The other method of approach is that of the American System of political-economy, as defined in principle by the U.S. Constitution, and in practice by the tradition of Alexander Hamilton, Abraham Lincoln, and Franklin Delano Roosevelt. Under this approach, money power is subordinated to the demands of reviving the physical economy, to the point where the economy is once again producing enough to not only provide for its current needs, but for progressing to higher standards of living. The crucial point to be reached is called “breakeven,” where output begins to supercede input.

The projects which LaRouche has laid out, on both transportation and power, will in fact bring the U.S. economy above breakeven. If we take the capacity of the auto industry, which is hardly being utilized, and the additional available capacity of the machine-tool sector, and start retooling for these projects, we will not only provide needed employment, but urgently required inputs to repairing our collapsed infrastructure. Large infrastructure projects, such as high-speed rail corridors, and mass production of nuclear power plants, will dramatically increase the productivity of the economy as a whole.

What we are seeking here is not the results of particular projects per se, but the recovery of the economy as a whole. We will be building a solid foundation for the U.S. dollar, creating a strong, expanded tax base for our communities, and establishing conditions for new technological breakthroughs in the future. It will take the allocation of Federal credit for a long-term payoff, but it *can* be done.

It’s time the American public once again learned economics, real economics. It will take expanded production, led by productivity-generating large infrastructure projects, and to put the economy back on the real road to recovery. The sooner we put it in place, the sooner we will be on our way to the kind of future we would want for our posterity.