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## **This Week You Need To Know**

### **DISCUSSION MEMORANDUM**

#### **Rebuild U.S. Military Around Corps of Engineers Function**

**by Jeffrey Steinberg**

In recent conversations with Lyndon LaRouche, the following set of basic observations and proposals emerged.

1. During his 1989-1993 tenure as Secretary of Defense in the George H.W. Bush Administration, Dick Cheney presided over a radical transformation of the U.S. military, which has now reached a crisis point, where many flag officers, active-duty and retired, have warned that the entire military structure has been hollowed out, nearly to a point of total destruction. The extension of the Iraq mission, and the looming prospect of a broader Persian Gulf military engagement targetting Iran, would be the proverbial "straw that broke the camel's back" of the U.S. military altogether.

As Secretary of Defense, Cheney first cut the size of the U.S. Army by one-third. During his tenure, the U.S. Army went from 18 divisions down to 12 divisions. Once the military had been severely downsized, under the ostensible "peace dividend," brought about with the collapse of the Soviet Union, the United States shipped 500,000 troops to the Persian Gulf for Operation Desert Storm. Then Cheney turned around and hired Halliburton to conduct a \$10 million study into how to "outsource" and "privatize" key military support functions. Having created a gaping hole in the military's readiness, Cheney shoved privatization and outsourcing down the throats of the uniformed military. It was a carefully orchestrated seduction, one in which Cheney played an important, albeit bit part. Others with greater intellectual capacity, like George Shultz and Felix Rohatyn, did the planning. Cheney was the compliant thug who did the implementation. And, of course, when the Clinton Administration came into office, Cheney stepped in as president and CEO of Halliburton, and transformed the petroleum-infrastructure company into the *primo* Pentagon contractor, once he became Vice President in 2001....

**...full article, PDF**

## **Latest From The Worldwide LaRouche Youth Movement**

### **Lakesha Rogers' Campaign Revives the Democrats' Hopes in Texas**

**by Harley Schlanger**

On the first leg of her tour of the state of Texas last week, LaRouche Youth Movement leader Lakesha Rogers injected some youthful vigor into the state's near-moribund Democratic Party. In discussions with labor leaders at the state AFL-CIO convention last week in Irving, she brought to life her campaign slogan, "Out of the Bushes and Into the Future,"

elaborating how Lyndon LaRouche's emergency legislation to save the auto sector would not only reverse the collapse of the U.S. economy, but produce a Democratic landslide at the polls this November.

Rogers is a candidate for Chairman of the Texas Democratic Party, one of four running for the position, which will be voted on by delegates to the state convention in Fort Worth, June 8-9. Rogers provoked quite a stir when she announced her candidacy, declaring that she would not be running against the other candidates, but rather, her campaign would be dedicated to reviving the tradition of President Franklin Delano Roosevelt within the party.

"Through my campaigning," she said, "I am opening the party to younger voters. We have seen, in the LYM, that young people will act, when the call to action is based on profound ideas, such as those presented by Lyndon LaRouche. Virtually every young person I meet knows they have no future, under present circumstances. But, if challenged, many will respond—and I am challenging them to take an active role in shaping their own future, through mastering principles of physical science, as they apply to economics."

She added that organizing to retool the auto sector, by reintroducing the principles of the American System of political-economy—as FDR did, to get the United States out of the Coolidge-Hoover Depression—offers an immediate, concrete task for those who otherwise belong to a no-future generation heading into a New Dark Age....

[...Complete article, PDF](#)

## InDepth Coverage

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### [\*\*DISCUSSION MEMORANDUM\*\*](#)

### [\*\*Rebuild U.S. Military Around A Corps of Engineers Function\*\*](#)

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- [\*\*From Our Archives\*\*](#)

### [\*\*A Policy for Universal Military Training\*\*](#)

[\*\*by Lyndon H. LaRouche, Jr.\*\*](#)

The following proposal for universal military training (UMT) comes from a Presidential Campaign Paper, entitled 'Military Policy of the LaRouche Administration,' which was issued by Lyndon H. LaRouche, Jr. on Aug. 15, 1979.

## **Globalization Killing Auto, Industry: 'Let's End This Crap!' says LaRouche**

**by Paul Gallagher**

The drive by the Lyndon LaRouche Political Action Committee (LPAC) to pass Congressional legislation to save the American auto industry from shutdown, is Congress' chance to stop the globalization wrecking ball before it completely destroys the United States' remaining industrial power. LaRouche put his movement on 'war-room' mobilization May 1, with a report that more than 65 major auto-sector plants, with over 75 million square feet of machine-tool capacity, were being shut down this year and next.

- **Dialogue With LaRouche**

### **To Return the World to Industrial Growth, Restore the American System in the U.S.**

Lyndon LaRouche and the LaRouche Youth Movement, along with Helga Zepp-LaRouche and EIR's Paul Gallagher, held a conference call on May 5, to map out the campaign to save the U.S. auto industry (see last week's issue). Below are continued excerpts from the dialogue between LaRouche and the LYM, which followed his opening statement, and Gallagher's report on the shutdown of the machine-tool and manufacturing capabilities in the U.S. auto sector.

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## **International:**

### **PRESIDENT PUTIN IN ANNUAL MESSAGE**

#### **Russia Will Survive and Be A Weighty Factor in the World**

**by Rachel Douglas**

Russian President Vladimir Putin's 2006 State of the Federation message, delivered to the Federation Council on May 10, underscored the folly of trying to treat Russia as a misbehaving state or merely a source of 'energy security,' as Dick Cheney and others have recently done. Putin communicated tremendous determination to enhance Russia's status as a great power, moving in the direction of an economic policy shift in a way that won statements of hope from even some of his fiercest critics within Russia.

### **Blair As Captain Of the *Titanic***

**by Dean Andromidas**

In a few short weeks, British Prime Minister Tony Blair has gone from leader of 'New Labor,' preparing for an unprecedented fourth term for the Labor Party, to captain of the *Titanic*: There are calls from all quarters for Blair to step down or face the same fate as former Tory Prime Minister Margaret Thatcher, who was unceremoniously thrown out of office by her own party in 1990.

### **Iranian President Ahmadinejad's 'Letter-Bomb' Boxes-In Bush**

**by Muriel Mirak-Weissbach**

'It's a letter-bomb,' quipped Lyndon LaRouche, in reference to the unprecedented letter, sent by Iranian President Mahmoud Ahmadinejad to President George W. Bush, on May 8. The 18-page letter, delivered to the White House through the Swiss Embassy, which has served as a liaison since diplomatic relations were severed in 1979, aimed at forcing the question of direct talks between Tehran and Washington. Given Bush's psychological profile, it was clear that he would reject the offer out of hand, thus discrediting himself totally in the eyes of the international community. It was, in short, a set-up. LaRouche mooted that the Iranian initiative may have been supported by, or coordinated with other forces, perhaps in Russia, Germany, or the like.

### **Will de Gaulle's Republic Survive the 'Most Stupid Right Wing in the World?'**

**by Christine Bierre**

As the world monetary system stands on the verge of implosion, confronting world leaders with a choice much like that of the 1930s, between fascism and war or republicanism, the French state is being rocked by one of the biggest scandals ever. A brutal power struggle, threatening to destroy the remains of de Gaulle's Fifth Republic, has broken out in recent weeks, within the right wing which is now in power. The fight between Interior Minister Nicolas Sarkozy and Prime Minister Dominique de Villepin erupted around the so-called 'Clearstream affair,' referring to a Luxembourg-based financial clearing house.

## **Cheney's Ploy To Grab Central Asian Energy**

**by Ramtanu Maitra**

Speaking before the U.S. House of Representatives International Relations Committee on April 26, Assistant Secretary of State for South and Central Asian Affairs Richard Boucher unravelled a dubious plan for Washington to gain control over Central Asian energy distribution. The plan called for the United States to develop an energy grid to integrate energy-rich Central Asia with energy-starved South Asia.

## **Culture:**

### **The So-Called 'Enlightenment'**

**by Lyndon H. LaRouche, Jr.**

In his Joseph Cardinal Bernardin Jerusalem Lecture of May 10, 2004, the now recently deceased Rabbi Arthur Hertzberg had wrestled, like others before him, with the often-debated issue of the role of the so-called 'Eighteenth-Century Enlightenment' in the effort to free European Jewry from victimization by that anti-Semitism whose influence had been spread widely among Catholic and other nominally Christian varieties of doctrine.<sup>1</sup> But for the difficulties, including health problems, which had impeded our resuming what we had intended should become our direct, continuing discussions on sundry relevant matters, the Rabbi and I would have come directly to a richer exploration of what had been our differing assessment of the subject of the role of the 'Enlightenment' in that May 2004 address.

## **National:**

### **Cheney's New Cold War Drive Flops in Kazakhstan**

**by Jeffrey Steinberg**

What if you launched a new Cold War and nobody came? That pretty much sums up Vice President Dick Cheney's week-long trip to the Baltic states and Central Asia in early May. At every stop, Cheney delivered a string of personal, provocative attacks against Russian President Vladimir Putin, charging that Russia had reverted back to its totalitarian Soviet-era roots, and was using its vast energy reserves to blackmail its neighbors, along with Western Europe and the United States. Cheney all but labelled the Moscow-Tehran collaboration as the 'new axis of evil.'

### **Lakesha Rogers' Campaign Revives The Democrats' Hopes in Texas**

**by Harley Schlanger**

On the first leg of her tour of the state of Texas last week, LaRouche Youth Movement leader Lakesha Rogers injected some youthful vigor into the state's near-moribund Democratic Party. In discussions with labor leaders at the state AFL-CIO convention the week of May 1 in Irving, she brought to life her campaign slogan, 'Out of the Bushes and Into the Future,' elaborating how Lyndon LaRouche's emergency legislation to save the auto sector would not only reverse the collapse of the U.S. economy, but produce a Democratic landslide at the polls this November.

### **Dialogue With LaRouche**

#### **A New Approach to Immigration Policy**

This interchange occurred at a private discussion between Lyndon LaRouche and a number of constituency leaders after LaRouche's April 27 webcast.

## **Economics:**

### **Argentina: Infrastructure for General Welfare, Not Profit**

**by Cynthia R. Rush**

On April 27, when Argentine President Néstor Kirchner announced bidding on the Plan Circunvalar—a project to build a major railroad complex around the inland port city of Rosario—he also unexpectedly announced that bidding would soon begin on construction of a high-speed train connecting Rosario with the capital of Buenos Aires.

### **Retool Auto Sector To Build Passenger Rail**

**by Mary Jane Freeman**

Tired of sitting in traffic jams and paying too much for gas? Fed up with budget crises and outsourcing of America's industry? Then, adopt Lyndon LaRouche's May 2 call to enact 'Emergency Legislation, Now!' to put Americans back to work building a modern national rail system for passengers and freight.

### **LaRouche Radio Interview**

### **Rebuild the Nation's Economy Now; We Can't Wait Until Bush Is Gone**

Lyndon LaRouche was interviewed by radio host Scott Leffler, of WLVL 1340 AM, in Lockport, New York, where Delphi is closing one of its auto parts supply plants. Here are excerpts from the interview.

### **Report From Germany**

### **An Urgent Need for Engineers**

**by Rainer Apel**

If Germany were to commission even one nuclear power plant, it would have to hire foreign engineers to build it.

## **Editorial:**

### **Do What Henry Hopkins Did!**

In early May of 1933, President Franklin D. Roosevelt appointed his old New York collaborator Harry Hopkins as the head of the Federal Emergency Relief Administration. Within less than one hour, Hopkins had set up shop, and begun pouring out \$5 million in relief to desperate families all over the country. But that was nothing compared to what Hopkins did in November of that year, when starvation was threatening over 10 million people in a brutal Winter. Authorized by FDR to set up the Civil Works Administration, Hopkins put 800,000 people to work in ten days, 2 million on the job in a month, and ultimately 4.2 million people into jobs building schools, roads, bridges, sewers, and other infrastructure—much of which is still in use in the United States today! Under FDR's leadership, he saved millions of lives, and the nation. And we built the capability to save the world from fascism in World War II.

## **U.S. Economic/Financial News**

### **Primary Materials Price Hikes Killing Jobs**

The Weimar-style hyperinflation is taking prices to new highs every day, while industry and jobs are showing the effects of high costs. The price of gold for immediate delivery shot up to \$726.70 an ounce at one point Thursday (May 11) morning, the highest since January 1980, and up 69% over last year. By the end of the week, the gold price had surged to over \$730 an ounce.

Copper, a key metal for industry and building, soared above \$4 a pound (\$8,800 per metric ton) for the first time on May 11. Nickel, zinc, and platinum all rose to historic highs, and aluminum hit a 21-year high. Investment funds are pouring money into commodities, hoping to make a better return than on stocks and bonds, the financial press reports.

Meanwhile, the price hikes are hurting industry and jobs. Some copper wire and rod makers have suspended production because of shrinking stockpiles. Ohio electrical workers report that a box of insulated copper wire, that recently cost \$20, now costs \$100. With home construction contracts also on the downswing, jobs are being killed.

Asbestos workers union officials met in Washington, D.C. on May 10 to discuss the effect of hyperinflation on the building trades. One example: fiberglass insulation has increased twofold. Whereas it was \$50 to \$75 a box recently, it is now \$100 to \$150.

Silver, which like gold, is purchased as a hedge against inflation, rose on May 11 to the highest level since the Volcker depression in January 1981, reaching \$15.20 an ounce at one point that day.

## **Mergers Feed Commodity Bubble Inflation**

A report issued by Citigroup estimates that "speculators and investors" in April held a record total of more than \$120 billion of bets on 36 commodities' futures in U.S. commodities markets. Some \$30.3 billion were natural gas bets, and \$30.1 billion oil bets; \$20 billion in gold; \$4 billion in copper. Citigroup announced that it had doubled the number of traders it has working commodities!

On May 9, aluminum futures reached a 20-year high of over \$3,000/metric ton; zinc, platinum, and copper prices all reached new records. Speculation pushed oil back above \$70/barrel.

In Toronto, Teck Cominco, the world's number-one zinc mining company by volume, offered \$16 billion to take over the world's largest nickel producer, Inco. According to the *Toronto Star* May 9, "Teck Cominco said its C\$78.5-a-share offer represents a 20% premium to the closing price of Inco shares on May 5." (This is how mergers drive commodities speculation—by giving speculators upward price triggers to speculate on). While Teck Cominco is taking it over, Inco itself is trying to take over Falconbridge, the world's third-largest copper producer, itself just having merged with two other Canadian firms.

## **Short Positions May Have Driven Copper Price Rise**

China's State Reserve Bureau, the nation's stockpiling agency, had losing trades totalling as much as 130,000 metric tons of copper. The agency had bet that the price of copper would fall. The agency covered some bets in cash and in physical metal late last year, and rescheduled others for settlement in 2006. "Most of the bureau's short positions were closed in March and recent weeks," said Yang Yinghui, head of metals trading at Cofco Futures Co. (the company that traded for China's State Reserve Bureau).

Of perhaps greater consequence is the U.S. hedge fund Ospraie, which is believed to have taken short positions in copper, representing 300,000 metric tons of the metal. One market trader told the May 8 *Financial Times*, "They have been covering that position in the last few weeks as the pain just became too much." The *FT* reports that Ospraie had bet that copper's price would fall to \$3,000 per ton, and had to obtain the copper metal in the market to cover that position at a cost of \$6,750 per ton. If that report is true, then on a position of 300,000 metric tons, Ospraie had a loss of \$1.13 billion. Not only might Ospraie become the first major casualty of the current Weimar hyperinflation, but there would have had to have been a sizeable banker rescue mission to prevent Ospraie and any hedge fund or financial institution that was associated with Ospraie, from blowing a hole in the market.

## **Housing Mortgage Bubble Is 'Dead Man Walking'**

According to a very depressed local realtor in Loudoun County, Va., the area Lyndon LaRouche calls "ground zero" for the coming collapse of the housing bubble, the residential real estate market is a "dead man walking." People may still be buying homes, but there are not enough of such buyers to absorb the growing inventory of unsold homes, which according to the latest (April) figures, is now up by more than 500% over last year already, with developers expected to add several thousand more units/homes to that inventory in the next 60 days.

Realtors and bankers here and in other extremely troubled sectors of the bubble, such as in the New York-New Jersey area and Southern California, are alarmed by rapidly rising inventory trends and declining home sales contracts. In Loudoun, for

example, contracts for the normally busy month of April were down nearly 50% from a year ago, while settlements were down over 40%. Even more alarming are the signs that a significant portion of the rise in inventory is coming from the panicked dumping onto the market of recently purchased homes, which had been bought more with consideration of making speculative profits than for a dwelling; in Loudoun, these same sources report more than one in every three home purchases was made to gain profits on rapidly appreciating markets.

Another alarming trend, now amply documented by developments in Loudoun and in the Washington-Metropolitan area, is the rise in people who "jump contracts"—i.e., withdraw before settlement—even with loss of sizeable deposits. The *Washington Post* reported May 6 that cancellation rates are up significantly, especially on new homes, with some builders reporting that they are as high as 25%. In Fairfax County, just east of Loudoun, rates are now more than 30%; half of all condo buyers cancel contracts. Driving this, the *Post* reports, is the fear that people will be caught in a down market, with rising interest rates, in homes that they cannot afford; such buyers are often willing to lose tens of thousands of dollars in deposits rather than to be stuck with mortgage payments they can't afford.

According to sources in Loudoun, Federal regulators have already become alarmed at the danger signs. Word has gone out to lenders to "tighten up" and the local commercial market has reportedly been already put on a "watch list." But, as less deluded realtors and others realize, any credit tightening only more rapidly turns to market gloom into doom.

"It's done," said the formerly buoyant local realtor. "It is truly a 'dead man walking.' "

## **U.S. Corporate Bond Issuance Reaches All-Time High**

Bond issuance is replacing stock issuance as a financing method used mostly for takeovers, the *Financial Times* reported May 11. Hedge funds, private equity, and recycled foreign trade surpluses provide "what feels like limitless sources," said a Bear Stearns executive. ("This is where the unreported M3 money supply is flowing," LaRouche commented.) There was surprise at the appetite for a \$4 billion bond offer from Abbot Laboratories. So far this year, corporate bond issuance totals \$312 billion, beating the 2001 record for the same time of year of \$271 billion.

Often, the bonds held by hedge funds are converted into stock equity after the takeover, giving the speculators control over the corporation to be looted.

## **Foreign Companies Buying Up U.S. Toll Roads**

"Strapped for cash, U.S. states and cities are selling toll roads to foreign companies willing to pay rich prices," reports Barron's in a cover story May 8, on the privatization of toll roads. The article cites the \$1.8 billion purchase last year of the Chicago Skyway, the \$3.8 billion deal last month for the Indiana Toll Road, and the \$611 million sale last week of the Pocahontas Parkway near Richmond, Va. The announced merger of Spain-based Abertis and Italy-based Autostrade will create a company big enough "to bid on what they believe will be 25 U.S. road privatizations in the next three years. Sensing a lucrative opportunity, Wall Street investment banks, led by Goldman Sachs, have descended on state capitals, trying to convince toll authorities and legislators of the benefits of privatization," said Barron's Andrew Bary. He complained that government-run toll roads "are often inefficient because profit maximization generally isn't a top priority," adding: "Investors won't buy roads without being assured that they can raise tolls over the years."

# **World Economic News**

## **Clash at ADB Meeting; Asians Fear Dollar Crash**



According to identical reports by *Bloomberg* columnist Andy Mukherjee and *Financial Times* columnist Martin Wolf May 10, there was a clash between the U.S. and Chinese representatives at last week's annual summit of the Asian Development Bank (ADB) in Hyderabad, India. After U.S. Treasury Secretary Timothy Adams again urged China to let the Chinese currency upvalue against the U.S. dollar—presumably the cure for the ever-rising U.S. trade deficit—there came a surprising response from the Chinese side. Yong Li, China's Vice-Minister for Finance, said he recently picked up "rumors that the U.S. dollar might depreciate by 25%." If true, he said, the consequences would be "shocking." The unspoken message of his remarks, according to Mukherjee, was, "Don't try to talk the U.S. dollar down." Not only due to their huge dollar reserves, but in particular in respect to their export-dependent economies, a dollar crash would be the very last thing any Asian country would hope for.

Martin Wolf, who also participated in the ADB discussions and moderated an ADB governors' seminar, notes also that Japanese Finance Minister Sadakazu Tanigaki was reacting to pressures to let Asian currencies upvalue. He warned that "overemphasizing realignments of exchange rates could invite market speculation, and deal a blow to the global financial markets." Wolf states that, in any case, we are heading towards "the day of reckoning," either by a sharp fall of the dollar now or a much stronger dollar crash later, leading to "global economic disorder" and potentially another "decade of monetary disorder" like that following the destruction of the Bretton Woods system in 1971.

The German economic daily *Handelsblatt*, in an extended feature on the \$22 rise of gold May 9, when it hit above \$700 for the first time since 1980, picked up statements by Chinese central bankers on plans to increase Chinese gold reserves from the current 600 tons to 2,500 tons, at the expense of U.S. dollar reserves. Tan Yaling, economist at the Bank of China, is quoted saying that a sharp increase of gold reserves would be needed "to be prepared for emergency situations, as an example due to international political and economic turbulences."

The Chinese Ministry of Land and Resources issued a statement on its website on May 10, announcing plans to set up strategic reserves for key minerals. Special emphasis is put on "rather ample" reserves of uranium, needed for nuclear power plants. Other minerals to be stockpiled include iron ore, copper, aluminum, manganese, chromium, and potassium. The statement notes that the mineral reserves are crucial for "adjusting the market, coping with emergencies, and guaranteeing the security of resource supplies."

## **Speculators Dump Dollar Debt**

Speculators are dumping dollar-denominated debt, putting money into local-currency government bonds in developing countries, according to the *Wall Street Journal* May 10. Hedge funds, among others, are moving into local-currency bonds of Mexico, South Africa, Brazil, and Turkey, increasing the risk of a currency collapse not unlike that occurred in Iceland and New Zealand.

# **United States News Digest**

## **Dems Mobilize Against Two Judicial Nominees**

The "Gang of 14," the seven Republican and seven Democratic members of the Senate who blocked Dick Cheney's "nuclear option," in spring 2005, met again on May 10 on the nomination of Terrence Boyle to the 4th Circuit Court of Appeals. Coming out of the meeting, the Democrats said they would send a letter, requesting that the Senate Judiciary Committee hold a second hearing on Boyle's nomination. Sen. Susan Collins (R-Maine), said that she was very concerned about conflict-of-interest allegations raised against Boyle, adding that, "if they are true, they are potentially disqualifying." Lindsey Graham (R-NC) expressed his view that another hearing on Boyle would be helpful.



Democrats also intend to mobilize against Michael Wallace for the 5th Circuit Court of Appeals, who is so bad that the American Bar Association rated him "unqualified."

But the nomination of Brett Kavanaugh, 41, the forgetful deputy to then-White House Counsel Alberto Gonzales, and to Kenneth Starr before that, was sent to the Senate floor on May 11 on a party-line, 10-8 vote in the Judiciary Committee. "Mr. Kavanaugh himself is neither seasoned enough or independent enough at this early stage in his career to merit a lifetime appointment to the second-highest court in the land," said Sen. Charles Schumer (D-NY). In his second hearing before the Senate Judiciary Committee, Kavanaugh was almost comically evasive, claiming to know nothing about torture, rendition, or NSA spying, except what he'd read in the newspapers—even though he was in the White House Counsel's office at the time these policies were approved. Even the usually unflappable Judiciary Committee chairman Arlen Specter (R-Pa) became exasperated with Kavanaugh late in the hearing, when the nominee would not respond directly to questioning from Schumer.

## **Senate Dems Hold Hearing on Energy Market Manipulation**

At Senate Democratic Policy Committee hearings on, "Lessons from Enron: An oversight hearing on gas prices and energy trading," May 8, committee chairman Byron Dorgan (D-ND) noted the similarities between the present energy crisis and the Enron scandal. Dorgan noted that price fixing and price manipulation were included among the criminal charges against many of Enron's former officials. Senate Minority Leader Harry Reid (D-Nev) put the blame squarely on the Bush Administration: "Its failed energy policy, its failed foreign policy, its failure to quickly reconstruct New Orleans and the surrounding energy infrastructure there and in Iraq, and the Administration's wildly misplaced budget and enforcement priorities have left America unprepared and with an unresponsive government," he said.

The witnesses included Illinois Attorney General Lisa Madigan, West Coast utility regulators, and others. Their testimony demonstrated how unregulated speculation in the commodities markets is responsible for the catastrophic rise in energy prices, "contrary to common media reports" that place the blame on supply and demand.

Madigan testified that, upon receiving warnings from the natural gas supply companies in her state, she got together with attorneys general in Iowa, Missouri, and Wisconsin to investigate the reasons for the expected price hikes. They found that there is a complete lack of transparency in the largely unregulated financial markets for natural gas, and that the regulations that do exist are far more lax than for less-essential commodities. "The reality is that approximately 80% of natural gas trading is done on the unregulated over-the-counter markets," she said, and that these markets are the major factor "in setting the price of natural gas."

## **Vote Fraud Hijinks Continue in Ohio**

The May 2 primary election in Ohio was again marred by complications in vote counting, and again, the problems were centered in Cuyahoga County, Ohio's most populous, including the depressed city of Cleveland. In the interim period since the 2004 election, Cuyahoga County had converted from a punchcard system to an optical scan system, run by Diebold. Test runs on the Diebold-run system produced "inconsistent tabulations," forcing the hand-counting of 18,000 ballots, a process which was not completed until Sunday, five days after the election. While there were no reports of understaffing or long lines, there were other shades of 2004, with many polling places open late, and poll workers not showing up on time. Election workers also lost 70 "memory cards," which held voting results from hundreds of precincts.

After four days in which many local elections were still undecided, on May 5, Secretary of State Ken Blackwell called for an investigation by the County Board of Elections. On May 8, Chris Redfern, chairman of the state Democratic Party, called on Blackwell (who is currently also a candidate for Governor) to recuse himself from the process, along with Bob Bennett, who is chairman of both the Cuyahoga County Board of Elections, and the Ohio GOP. The commission is

scheduled to make a report in July.

## **Schumer Wants Anti-Trust Study of Big Oil**

During his April 27 webcast, Lyndon LaRouche said, "If you're not prepared to go in and so some trustbusting, you're not going to solve the problem." On May 8, Sen. Charles Schumer (D-NY) said he is filing legislation that will make the Government Accountability Office study the feasibility of breaking up the biggest oil companies. Schumer said that five "vertical" petroleum companies engage in pricing practices that have customers reeling. The Senator said the country needs a "trust-busting spirit," and blamed a succession of Presidents, both Republican and Democrat, for allowing mergers like the one that created ExxonMobil.

## **Abramoff Scandal: Former Aide to Ney Pleads Guilty**

Neal Volz, who worked as an aide to Rep. Bob Ney (R-Ohio) from 1995-2002, and then went to work for Jack Abramoff, pleaded guilty, on May 8, to conspiracy to corrupt Ney, Congressional staffers, and other members of Congress with trips, free tickets, jobs, and other things of value. Volz listed 16 actions that Ney undertook on behalf of Abramoff and the lobbyist's clients, in exchange for these things of value. Volz now joins Abramoff, and former Tom DeLay aides Tony Rudy and Michael Scanlon, as government witnesses in the expanding corruption probe centering on Abramoff and DeLay.

Among the corrupt acts cited in the "Information" filed by the U.S. Attorney in Washington:

\* Ney and Volz inserted a provision into the Help America Vote Act (HAVA), lifting a ban on gambling for the Tigua Indian tribe in Texas, a client of Abramoff, and then Ney signed a letter opposing the creation of a commission to investigate Indian gambling.

\* Volz and Ney, using Ney's position as chairman of the House Administration Committee, arranged for an Israeli telecommunications company, Foxcom Wireless, also a client of Abramoff, to obtain the contract to install a wireless communications system in House office buildings. At the same time, it's been reported elsewhere, Foxcom donated \$50,000 to Abramoff's phony Capital Athletic Foundation.

## **Hagel Calls for Engagement with Iran**

Senator Chuck Hagel (R-Neb) authored an op-ed in the May 7 *Financial Times* of London in which he argued as follows: "The U.S. should engage Iran directly with an agenda open to all areas of agreement and disagreement. The lone world superpower must not act precipitately. The U.S., in partnership with our allies, should work towards a package of issues for discussion with Iran. A military option is not a long-term solution to prevent Iran from acquiring nuclear weapons. Attacking Iran and destroying its nuclear facilities would not destroy Iran's ability and knowledge to come back at nuclear capability again and again. A U.S. military strike in Iran would make Iran's determination that much stronger. A military option would also inflame the Middle East and the global Muslim population, crippling U.S. security, economic and strategic interests worldwide."

## **Ibero-American News Digest**

### **Brazil Inaugurates Industrial-Scale Nuclear Enrichment**

On May 5, Science and Technology Minister Sergio Resende presided over the inauguration of the first industrial-scale

production at Brazil's uranium enrichment plant, operated by the state-run Nuclear Industries of Brazil (INB), *O Estado de Sao Paulo* reported May 6. The enrichment centrifuges now in operation will produce only 2% of the fuel used by Brazil's two nuclear plants, Angra 1 and 2, but Resende emphasized that this marks Brazil's first step towards nuclear self-sufficiency. By 2015, Brazil intends to produce 100% of the fuel required for those two plants, and a third, yet to be built, Angra 3.

Resende compared this small beginning with the inauguration of Brazil's first offshore oil platform in 1984, which only produced 50,000 bpd. Today, Brazil produces 2 million bpd, reaching oil self-sufficiency only last month with the inauguration of its latest offshore oil platform.

The investment in uranium enrichment will pay for itself in ten years, "but the significance for our country's sovereignty is much greater," Resende told the press. "If the international nuclear situation worsens, and there were to be a pact between countries to not supply uranium to other countries, we would become dependent."

The minister emphasized two other points:

(1) The centrifuge technology developed by Brazil's navy, which is employed in the new plant, is almost four times more economical and productive than traditional technologies used in the U.S. and Europe; and

(2) He is sure that after Bolivia's nationalization of its oil and gas industry—which has been met with a wild propaganda campaign inside Brazil about how this "threatens" Brazil—the government as a whole now recognizes the urgency of having a diversified energy base. Brazil's long-mothballed third nuclear plant, Angra 3, must be built, Resende stated. With the increase in the price of oil, and the uncertainty of other energy sources, "I have no doubt that the nuclear component in our energy grid is going to increase." Resende has been fighting to override the opposition to completing Angra 3 from environmentalists and small-minded penny-pinchers in President Lula da Silva's cabinet.

For more on the regional drive for industrialization, see this week's InDepth: [\*\*"Argentina: Infrastructure for General Welfare, Not Profit," by Cynthia Rush\*\*](#).

## **Brawl in Brazil Over Bolivia's Nationalization**

"Brazil's policy will never be that of the stick, but that of the Good Neighbor," Foreign Minister Celso Amorim stated emphatically on May 9, making unmistakably clear which President Roosevelt he would have Brazil line up with. This is the third or fourth time Amorim has slammed those who continue demanding a "tough" response from Brazil to Bolivia over Bolivia's renationalization of its energy industry. Bolivia, said Amorim, is a country with whom Brazil has one of its longest borders; it "is a country with which we have to integrate ourselves one way or the other. We integrate for the good, or we integrate for bad, with the drug trade, guerrillas. and contraband."

Teddy Roosevelt's legacy in Brazil—a current centered in the early 20th Century around TR's ally, the founder of the Brazilian diplomatic corps Baron of Rio Branco—has reared its ugly head in recent days, with demands that Brazil respond "forcefully" to Bolivia's nationalization of Brazil's quasi-state oil company, Petrobras.

President Lula and Amorim have felt it necessary to reject military action against Bolivia. "What do you want me to do, invade Bolivia and force them to choose the price which I want?" Amorim angrily asked on May 5. Negotiations on the price of Bolivia's gas will occur, but they should be done in such a way that Bolivia "does not feel plundered ... as happened so frequently in the past, where their natural resources were taken out without any value added, without leaving anything for the country."

For his part, Lula repeated on May 8 that Brazil "is not going to retaliate against a country which is infinitely poorer than Brazil, a people more hungry than the Brazilian people." Bolivian President Evo Morales acted because 92% of the Bolivian people voted in a plebiscite in 2005 to nationalize the gas [industry]. We have to help. As Amorim noted on May 5, many of "these people who demand toughness many times were very flexible and even excessively flexible with demands from the great powers."

## **Germany Promises To Continue Aid to Bolivia**

German Minister for Cooperation and Development Aid Heidemarie Wieczorek-Zeul (SPD) defended Bolivia's right to nationalize its oil and gas: "Every country has the sovereign right to decide how to organize its natural resources sector.... No European country would accept influences from outside on such a decision," she told *Der Spiegel*, according to a report in Bolivia's *El Deber* on May 6. "To threaten Bolivia with freezing development aid is an error and counter-productive," she added, even as she called on Bolivia to continue to offer attractive conditions for foreign investment.

Wieczorek-Zeul had just been in Bolivia, and met with President Morales. She told DW-World (according to *El Deber*) that, "Bolivia is the poorest country in South America, and therefore it is one of the most important partners for Germany's cooperation.... With the election of Evo Morales, the first Indian President, a historic change has occurred. There is the possibility that the new government will introduce a determined policy of fighting poverty, which we want to support." It is important that Bolivia use its natural resources to develop the country. And, she said, it is not true that Morales wants to freeze the fight against drugs, despite her skepticism over his "Coca, Yes; Cocaine, No" plan, since separating coca from the cocaine trade is not practicable.

## **Bush Team to South American Nations: Let's You and Him Fight**

In the wake of Bolivia's nationalization of its hydrocarbons industry on May 1, U.S. Ambassador to the Organization of American States and long-time Project Democracy "Latin America hand" John Maisto is visiting the Presidents of Argentina and Brazil this week, hoping to get their governments to turn against Venezuelan President Hugo Chavez, to thus bust up the informal "Presidents Club," which has managed, despite everything, to move continent-wide integration efforts forward. Maisto's argument is reportedly that "moderates" like Brazilian President Lula da Silva and Argentina's Nestor Kirchner must attempt to freeze out Chavez's influence within the region, which is being blamed for everything, from problems inside Mercosur and the Andean Pact, to Bolivia's action.

Wall Street and London are nervous that they are losing control. On May 8, the *New York Times* described the attacks on privatization and free trade in Ibero-America as "a tide" that the U.S. can do little to stem. Inter-American Dialogue President Peter Hakim told the *Times*: "It is a genie that is not going to be put back in the bottle." Hakim suggests that, lacking region-wide support for its free-trade policies, Washington will have to attempt to influence the region "on a country-by-country, issue-by-issue basis."

## **Western European News Digest**

### **Coalition Government Formed in Poland**

After several weeks of negotiations, a new turn has been made by the Polish government. The new PiS minority government under President Lech Kaczynski concluded its coalition talks with the agreement that the Populist Radical Peasant Party Samoobrona of Andrej Lepper and Roman Giertychs League of Polish Families (LPR) will join as coalition partners in the Kaczynski government. Both Lepper and Giertych will become Deputy Prime Ministers under Prime

Minister Kazimierz Marcinkiewicz. While Lepper will become Agricultural Minister, Roman Giertych will head the Education Ministry. Two other Samoobrona members will get the Construction Ministry (Antoni Jaszczak) and the Labor and Social Ministry (Anna Kalata).

The new government coalition has caused concern both within Poland, as well as outside. In reaction, Polish Foreign Minister Stefan Meller and Health Minister Religas have resigned. Similarly, the government coordinator for Polish/German relations, Lipowicz, resigned in protest. Commentaries from the European press underline that what is to be expected is a much more nationalist/euroskeptical government. However, it may also be that the "consensus" among the three is so shaky that a new round of elections could be held in the fall, which could lead to an entirely new constellation.

## **Italy Succeeds in Electing New President**

Giorgio Napolitano, the 80-year-old former Communist, received a simple majority for President of Italy, on the fourth vote. Napolitano, the candidate of Romano Prodi's center-left party, received 542 votes, out of 1,009. Most of the others voted with a blank ballot, as protest.

Now, President Azeglio Ciampi has to formally resign, and Napolitano has to be sworn in. Then Prodi can be given a mandate, and form a government, which could be put to a vote in Parliament this week.

## **Bush Counters Cheney, Praises Merkel on German TV**

During a rare half-hour interview with German talk show hostess Sabine Christiansen, in the White House May 7, President Bush described his close personal relationship with Russian President Vladimir Putin: "If I stand up and constantly criticize Putin publicly, he's not going to be interested in listening to what I have to say, and neither would I," Bush said. "When somebody feels like they can lecture to me publicly ... I may not be interested in listening to them," he added. This stood in stark contrast to the sabre rattling comments made by Vice President Dick Cheney, only days earlier, on his tour of Eastern Europe.

Bush also lavished praise on German Chancellor Merkel, whom he called "Angela," and added her to his list of "strong women" in his life.

In comments that are likely to have a big impact on Germany, Bush made a strong pitch for nuclear energy, saying that if "people are genuinely serious about solving greenhouse gas problems around the world, countries like the U.S. and India and China ought to be promoting civilian nuclear power."

## **Spanish Pyramid Scheme Collapse Triggers Protests**

A major financial pyramid scheme in Spain has burst, leading to demonstrations in various cities. The Spanish press May 11 named two companies: Afinsa and Forum Filatelico. Afinsa, one of the largest stamp auction houses in the world, buying and selling precious stamps, had moved into stamp-backed securities which they sold to 350,000. The fraud was based on gigantic overvaluation of stamp-related securities, and now the company has lost over EU5 billion. Thousands of angry investors took to the streets, demanding that the government intervene.

The London *Financial Times* took note of the crisis, in a commentary, asking whether the stamp fraud is a sign of an economy teetering on the brink. With a current account deficit at almost 9% GDP, by 2007, Spain would be the worst economy in the Eurozone. "Spain cannot devalue its currency to correct external imbalances. Years of negative interest rates have fueled booms in both investment and housing...." The *FT* concludes by noting that, "an eventual exit from the

euro begins to look less inconceivable."

## **Germany Faces Engineering Shortages in Power, Rail**

It is estimated by institutions in the nuclear power sphere that Germany urgently needs at least 1,500 new nuclear power engineers. This is based solely on what is required to keep the existing 18 power plants operating, to say nothing of what would be required to build even one new nuclear plant. The German Physics Society says that in order for Germany to build a single new plant, France would have to supply the engineers and workforce, because Germany's power industry no longer has them.

In addition, the (still) state-owned German railway company, Deutschebahn, has outsourced most if not all of the engineering force to outside units that do all kinds of work, including, sometimes, also work for the railways. The railway company would run into trouble, should it ever decide to launch a major project: It would no longer have the engineers required. (For more on the German economic crisis, see this week's InDepth: [\*\*Report From Germany, by Rainer Apel.\*\*](#))

## **Personal Bankruptcies Hit All-Time High in Britain**

Over the last three months, there has been a 13% increase in personal bankruptcies in the UK, and there is a 73% increase from the same period last year, the London *Times* reported May. 6. In the first quarter of this year, 21,251 people filed for bankruptcy. Total outstanding personal debt is now over 1 trillion pounds-sterling.

Meanwhile, there has been an increase in court actions by mortgage lenders to repossess homes: some 33,442 actions over the first quarter, and up 29% from a year earlier. Orders for repossessions rose to 22,990, a 57% increase over last year.

## **Russia and the CIS News Digest**

### **Foreign Minister Lavrov: Cheney's Attack 'Unfounded'**

Speaking May 6, Russian Foreign Minister Sergei Lavrov said Dick Cheney's criticisms, made in speeches in Vilnius, Lithuania, and Kazakstan, that the Kremlin is backtracking on democracy and using energy to blackmail ex-Soviet states, were unfounded.

"We have heard comments like this from the mouths of a politicians of a lower rank, but the Vice President of the United states probably should have information that in the last 40 years our country has not once, neither the Soviet Union nor Russia, violated a single contract for the supply of oil and gas abroad," he said. "Obviously, this information somehow hasn't been brought to the Vice President's attention." Lavrov was audibly scornful of the inanity of Cheney's rant, especially his call to regain the alleged positive momentum of the 1990s. "That would be the period when our country was in danger of disintegration," Lavrov noted.

As for Cheney's declaration that, "No one can justify actions that undermine the territorial integrity of a neighbor," Lavrov noted in an interview that Russian troops played a role in ending conflicts that erupted after the collapse of the Soviet Union. "In the early 1990s, Russian peacekeepers gave their lives to stop bloodshed in Georgia and Moldova, saving the territorial integrity of these states. I would suggest that forgetting about this is profanation."

### **Kremlin: Non-Nuclear ICBMs 'Extraordinarily Dangerous'**



According to wire reports from Moscow May 11, Kremlin chief of staff Sergei Sobyenin followed up comments made by President Vladimir Putin in his State of the Federation speech the day before, calling the possible development of plans to arm intercontinental ballistic missiles (ICBMs) with non-nuclear warheads "extraordinarily dangerous." "A nuclear state might not be able to react adequately to the firing of such a rocket. There is nothing written on it to say what sort of warhead it is—whether it is conventional or nuclear," Sobyenin told reporters.

The Pentagon released a strategy paper in February, suggesting conversion of "some submarine-launched Trident missiles to carry conventional ... warheads to enable the U.S. to respond adequately to a wider range of global threats," the Associated Press reported May 11.

## **Hints of a Grand Coalition in Ukraine**

Recent suggestions in various media, that an "all-orange" coalition under Yulia Tymoshenko as Prime Minister is increasingly unlikely, were backed up May 6 in a front-page article in the *Neue Zuercher Zeitung* daily of Switzerland. It reported that acting Prime Minister Yuri Yekhanurov, of President Victor Yushchenko's "orange" Our Ukraine party, proposed breaking the post-election paralysis through a Grand Coalition following the German example. It would be a four-party coalition, including the Party of the Regions of former Prime Minister Victor Yanukovich.

Since Yanukovich's party has 186 of the 450 seats of the national Parliament, forming the biggest group there, he has a justified claim on the Premiership, therefore. Tymoshenko, the would-be Premier, already faces strong resistance especially from among Our Ukraine, which is the reason why she still has not been voted Prime Minister. The Grand Coalition proposal is the more interesting, as President Yushchenko and other leaders like Tymoshenko discussed the "orange-only" option recently, with visiting U.S. Vice President Dick Cheney. Apparently, what Cheney was told, or what he believed, was not the full picture.

## **Georgia, Ukraine Threaten To Leave CIS**

On May 2, Georgia's "Rose Revolution" President Michael Saakashvili instructed his cabinet to produce, within two months, an assessment of what it would cost Georgia to quit the Commonwealth of Independent States, and what benefits might accrue from doing so. Saakashvili is engaged in ongoing squabbles with Moscow over everything from the rate of Russian military withdrawal from Georgia, to the Russian ban on Georgian wines, and now mineral water, due to adulteration. Saakashvili was a featured speaker at the Vilnius meeting where Dick Cheney fulminated against Russia. Saakashvili crowed, "The Vilnius meeting signalled a major political victory for Georgia.... The Russian media and political reaction was hysterical."

On May 5, some 5,000 people demonstrated against Saakashvili in Tbilisi, under the banner of the "Anti-Soros Movement."

Kostyantyn Tymoshenko, an adviser to Ukrainian President Victor Yushchenko, said May 5, that Ukraine's Presidential Secretariat is also considering withdrawal from the CIS. In his May 10 message to the Federal Assembly, Russian President Putin stressed the importance of the CIS in the 1990s, but did not take up these current challenges in any detail.

## **Southwest Asia News Digest**

### **Annan Urges Direct U.S.-Iran Talks**

UN Secretary General Kofi Annan May 12 urged the U.S. to talk directly to Iran, saying that current policies are leading to

a head-on conflict. "I think it is important that the United States comes to table," he said. On May 11, U.S. Undersecretary for Political Affairs Nicholas Burns had reiterated that this wouldn't happen, and said, "we cannot be captive to endless discussions in the Security Council and we won't allow ourselves to be."

## **Rice Says EU-3 Will Draft New Proposal for Iran**

U.S. Secretary of State Condoleezza Rice said May 10 that the EU-3—the UK, France, and Germany—will be given a couple of weeks to draft an offer to Iran. Facing resistance by Russia and China in the UN Security Council, the U.S. and UK are trying a new approach. Rice said on morning talk shows, "We are going to take the time to try to bring the Security Council together in a more unified way. We are going to take the time so that the Europeans can show the Iranians what a path might look like."

The *Times* of London reported that the new British Foreign Secretary Margaret Beckett ordered an incentive package to be drafted by this week. The EU-3 is to propose civilian nuclear technology (light water reactors), increased trade, and perhaps security guarantees. What Iran wants, in addition to the civilian nuclear program, is a guarantee from the U.S. that it will not be attacked.

## **Saudi Ambassador Opposes Iran War, Partition of Iraq**

In an interview with *USA Today* May 10, Saudi Ambassador to Washington Turki al-Faisal, when asked his views on the use of force "to prevent Iran from acquiring weapons," said the Middle East should be free of weapons of mass destruction, "no exception." Moreover, Saudi Arabia is against the use of force in any conflict, he said.

When asked about the partition of Iraq, as recently suggested by Sen. Joseph Biden (D-Del), al-Faisal said: "That is an awful idea, because it creates more problems than it solves. Dealing with one Iraq is enough of a problem, imagine dealing with three Iraqs. How do you partition? To divide Iraq into territorial entities would create a mess. And neighbors would interfere with that process. All the contiguous countries to Iraq, without exception, want a unified Iraq."

## **Kurdish Parliamentarians Vote for 'Kurdistan' Unity Govt.**

The Kurdish parliamentarians in northern Iraq have voted to combine forces in a unity government for a semi-autonomous "Kurdistan," according to the *Turkish Daily News* May 8. Up to now, the Patriotic Union of Kurdistan (PUK) of Iraqi President Jalal Talabani and the Kurdistan Democratic Party (KDP) of Masoud Barzani have ruled over Sulamaniya, and Erbil and Dohuk, respectively. Whether or not the Peshmerga (Kurdish militias) will be unified is not clear. This development is expected to fuel territorial claims, especially for Kirkuk. A referendum is planned for 2007 on whether Kirkuk will be part of the semi-autonomous Kurdish region. Since the 2003 invasion, Kurds have moved into Kirkuk massively, expelling Arabs and Turkmen. Under Saddam Hussein, the city was forcibly "Arabized," and Kurds were driven out.

## **Talebani: More Than 1,000 Killed in Baghdad Alone in April**

At least 1,091 people were killed *in Baghdad alone* during April, Iraqi President Jawad al-Talebani said May 10, using statistics from the morgue. Talebani said he was "shocked and angry" at the daily violence, including executions. He urged all parties and security forces to stop the violence.

Iraqi Interior Minister Bayan Jabr Solagh revealed May 7 that a general in the Interior Ministry has just been arrested, along with 17 others, for links to Shi'ite kidnapping and death squads.

Iraqi officials report that an estimated 100,000 people have fled their homes since late February because of rising bloodshed, and this number only includes those who have registered for financial support and food with the Displacement and Migration Ministry. Of these, 35,000 have registered in just the past two weeks.

## **U.S. Agrees to Funding Mechanism for Palestinians**

After a long meeting in New York between U.S. Secretary of State Condoleezza Rice and her EU-UN-Russia counterparts in the Quartet, the U.S. signed a statement May 9 agreeing to a "temporary international mechanism" to ensure "direct delivery of any assistance to the Palestinian people." Over the last two weeks, the Cheneyacs, reportedly operating through neo-con Elliot Abrams, had not only cut off aid to the Palestinian National Authority (PNA), but prevented banks from wiring international aid monies or any funds to Palestine. The U.S. signed onto a "silent agreement" to pay the salaries of Palestinian civil servants through the office of Palestinian President Mahmoud Abbas.

## **Jewish Americans Mobilize vs. New Threat to PNA Funds**

Jewish groups in the U.S. are mobilizing to prevent the cut-off of funds to the PNA. The week of May 5-12, the U.S.-based Jewish organization Brit Tzedek v'Shalom mobilized to block the passage of H.R. 4861, a vicious neo-con resolution that would cut off all funds to the Palestinians, because of the Hamas government.

The bill was introduced by Rep. Ilana Ros-Lehtinen (D-Fla), the Netanyahu pit bull in Congress, who also introduced the sanctions against Iran bill.

Brit Tzedek notified its members that the bill was pulled from a House floor vote scheduled for May 9, and referred back to the Judiciary Committee. It called it "a small but crucial victory [that] wouldn't have happened without your calls and e-mails." It noted that the bill is still alive and can be brought back for a vote.

Meanwhile the pro-Oslo organization, the Israel Policy Foundation, sent out a fundraising letter urging American Jews to block legislation cutting off funds to the Palestinians. It is important that pro-Palestinian statehood organizations and forces in the American Jewish community are mobilizing, because Labor Party Chairman Amir Peretz is coming under *very heavy threats*—like his mentor, Yitzak Rabin did, now that Peretz is Defense Minister in the Ehud Olmert government. Peretz raised the question of opening up some border crossings into Gaza May 11.

## **Palestinian Prisons Can't Feed Prisoners**

There is a severe food shortage in Palestinian prisons, as a result of the Bush Administration and European Union's cut-off of aid to the PNA. Palestinian police have asked families to bring food to their incarcerated relatives, and are considering freeing prisoners because they cannot feed them. The police have also not received food allowances. A senior Palestinian official told the London-based newspaper *Al-Quds al-Arabi* that no units of the Palestinian security forces have had any food for two days, a report confirmed by Palestinian Police Chief Gen. Ala Hussein.

## **World Bank Memo: PNA Crisis Worse Than Reported**

A World Bank memo, acquired by Reuters, reports that the economic crisis in the PNA is worse than it had reported earlier, according to *Ha'aretz* May 8. The Bank had originally predicted that by the end of 2006, poverty in Palestine would have reached 67% and unemployment 50%. But, the memo says, "We now consider these figures underestimates." The memo was circulated ahead of the May 9 meeting of the Quartet to negotiate Palestinian-Israeli peace.

The memo states: "A continuation of the crisis threatens to undermine Palestinian institutions and cause severe damage to structures that donors have been building since 1993. The institutional decay will likely also have a negative impact on security, which in turn would make it difficult for government, the private sector, and providers of humanitarian assistance to operate properly."

## Asia News Digest

See this week's InDepth: ["Cheney's Ploy To Grab Central Asian Energy," by Ramtanu Maitra.](#)

## This Week in American History

### May 16 - 22, 1933

#### President Franklin Roosevelt Signs Emergency Relief Bill

On May 12, 1933, President Franklin Delano Roosevelt signed into law the bill establishing the Federal Emergency Relief Administration (FERA), the first mass public assistance program put into effect his Administration. The bill authorized the spending of \$500 million, divided into two portions: half to be spent as matching funds for localities, and the other half for distribution to locations which could not meet the matching requirement. The aim was to immediately make a dent in mass unemployment, starvation, and other such widespread suffering.

The critical decision which the President took, however, was not simply the structure of the program, but *who* would administer it. On May 19, he decided to tap Harry Hopkins, then the chairman of the New York State Temporary Emergency Relief Administration, which had been established by Roosevelt himself when he was Governor of the state. The President overrode the objections of New York Governor Herbert Lehman, and ordered Hopkins to report to Washington, D.C. on May 22.

Hopkins was a career social worker, who had come from a small town in Iowa. But he had none of that squishy "how do you feel?" quality that one might associate with a social worker today. Hopkins was the kind of person who immediately took charge, assumed responsibility, gave orders, and acted. He had that same voluntarist spirit that inspired the President to act so decisively to save the republic—a spirit that led Hopkins to become an increasingly trusted ally of Roosevelt's in the Administration.

Thus, the FERA administrator threw together a staff within 48 hours. He immediately began collecting information, and alerted the Governors of the 48 states that they should set up state organizations for him to coordinate with. Within that same period, Hopkins sent money to seven states. In fact, according to one source, he spent over \$5 million in his first *two hours* in his new job, working from a makeshift office in the halls of the Reconstruction Finance Corporation, which provided some of the funding.

While FERA's mandate included direct relief, including the traditional "means test" whereby individuals had to prove their indigence in order to receive aid, Hopkins was much more disposed to provide work relief projects. He realized that a vast proportion of those who needed help, had been thrown out of work, and, for the sake of their own self-respect, wanted to work.

Thus, Hopkins moved as rapidly as possible to set up the Civil Works Administration (CWA), which was a totally Federal

agency, able to employ workers directly. The FERA Administration got permission from the President to establish the CWA in late October 1933. The agency's mandate, in Hopkins' view, was to employ 4 million people over the winter. The agency devoted half its funds to employing people from the relief rolls, and half to others who needed work. The CWA paid minimum wage, not "relief."

As the CWA developed, it became a massive public works employer. Hopkins improvised, using much of his FERA staff for CWA work, including generating the projects which needed to get done. By mid-January 1934, the CWA had employed 4,230,000 persons.

And what did these people do? As opposed to the Public Works Administration, which was involved in building major dam projects, for example, they concentrated on medium and small-sized projects. According to Arthur Schlesinger, Jr., about a third of them worked on roads and highways. The next largest group of projects involved building or improving schools, including playgrounds. At least 50,000 teachers were provided to rural schools which could not otherwise afford to pay them in the midst of the Depression. In addition, the CWA workers built 500 airports, developed parks, cleared waterways and sewers, and even employed writers and artists.

For a fuller report on this aspect of Roosevelt's recovery program, see LaRouche in 2004's Special Report, "The End of a Delusion." It is also available in *EIR* magazine, Vol. 29, No. 17, cover date May 3, 2002.

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