

# EIR

Executive Intelligence Review

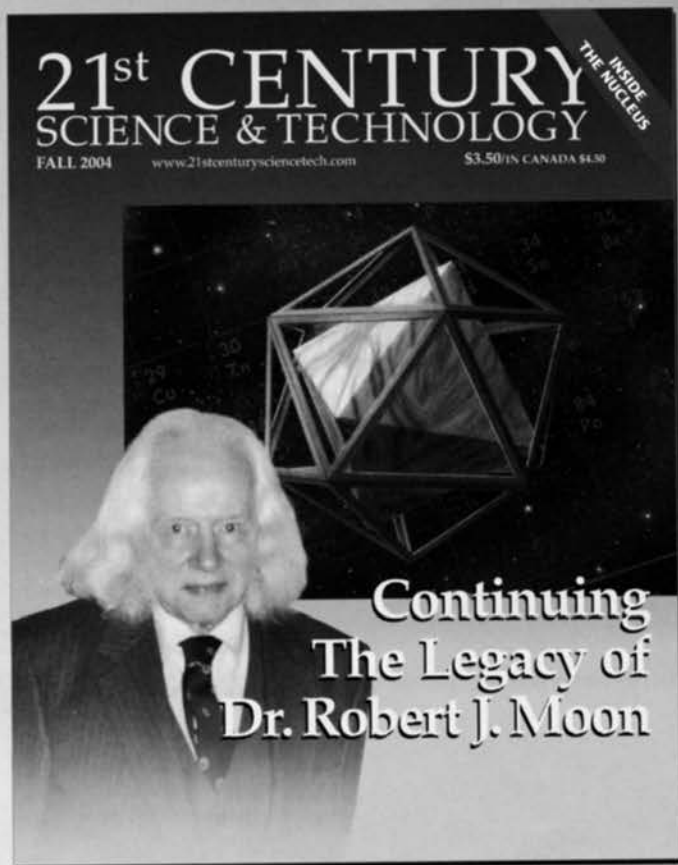
December 24, 2004 Vol. 31 No. 50 [www.larouche.com](http://www.larouche.com) \$10.00

How Shultz's 'Hit Men' Destroyed Philippines, Mexico  
LaRouche: Prosecute Voting Rights Act Violations  
Iraqi Elections Planned Amid Danger of Civil War

**Stop Bush's 'Pinochet Plan'  
To Loot Social Security**



# KEEP UP WITH 21<sup>st</sup> CENTURY SCIENCE & TECHNOLOGY



## 21<sup>ST</sup> CENTURY SCIENCE & TECHNOLOGY

Single copies \$5 each (\$8 foreign)

6 issue subscription \$25 (\$50 foreign)

Purchase with credit card online at

[www.21stcenturysciencetech.com](http://www.21stcenturysciencetech.com)

or with check or money order by mail from

21st Century P.O. Box 16285  
Washington, D.C. 20041

### Featured in the Fall 2004 issue

#### THE LIFE AND WORK OF DR. ROBERT J. MOON

- **Robert J. Moon on How He Conceived His Nuclear Model**
- **'Space Must Be Quantized'**  
by Robert J. Moon
- **Pauling and Others Comment on the Moon Model of the Nucleus**
- **The Gifts of Louis de Broglie to Science**  
by Robert J. Moon
- **1984 INTERVIEW**
- **On the Filamentary Electron, Neutrinos, and Nuclear History**  
1989 INTERVIEW
- **Cold Fusion Is No Surprise**
- **Dr. Moon and the Chicago Cyclotron**
- **Dr. Moon in the News**
- **New Explorations with the Moon Model**  
by Laurence Hecht with Charles B. Stevens
- **SCIENCE AND THE LAROCHE YOUTH MOVEMENT**
- **Dr. Moon and the Simultaneity of Eternity**  
by Amie Acheson
- **U.S. and Russian Labs Call for Nuclear Renaissance**  
by Marsha Freeman

# EIR

Founder and Contributing Editor:

*Lyndon H. LaRouche, Jr.*

Editorial Board: *Lyndon H. LaRouche, Jr., Muriel Mirak-Weissbach, Antony Papert, Gerald Rose, Dennis Small, Edward Spannaus, Nancy Spannaus, Jeffrey Steinberg, William Wertz*  
Editor: *Nancy Spannaus*

Associate Editors: *Ronald Kokinda, Susan Welsh*

Managing Editor: *John Sigerson*  
Science Editor: *Marjorie Mazel Hecht*  
Technology Editor: *Marsha Freeman*  
Book Editor: *Katherine Notley*  
Photo Editor: *Stuart Lewis*  
Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Counterintelligence: *Jeffrey Steinberg, Michele Steinberg*  
Economics: *Marcia Merry Baker, Lothar Komp*  
History: *Anton Chaitkin*  
Ibero-America: *Dennis Small*  
Law: *Edward Spannaus*  
Russia and Eastern Europe: *Rachel Douglas*  
United States: *Debra Freeman*

INTERNATIONAL BUREAUS:

Bogotá: *Javier Almaro*  
Berlin: *Rainer Apel*  
Caracas: *David Ramonet*  
Copenhagen: *Poul Rasmussen*  
Houston: *Harley Schlanger*  
Lima: *Sara Madueño*  
Melbourne: *Robert Barwick*  
Mexico City: *Rubén Cota Meza*  
New Delhi: *Ramtanu Maitra*  
Paris: *Christine Bierre*  
Rome: *Paolo Raimondi*  
United Nations, N.Y.C.: *Leni Rubinstein*  
Washington, D.C.: *William Jones*  
Wiesbaden: *Göran Haglund*

*EIR* (ISSN 0273-6314) is published weekly (50 issues), by *EIR News Service Inc., 217 4th Street, S.E., Washington, DC 20003. (202) 543-8002. (703) 777-9451, or toll-free, 888-EIR-3258.*  
World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirms@larouchepub.com](mailto:eirms@larouchepub.com)

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205, Wiesbaden, Federal Republic of Germany  
Tel: 49-611-73650.

Homepage: <http://www.eirma.com>  
E-mail: [eirma@eirma.com](mailto:eirma@eirma.com)

Executive Directors: Anno Hellenbroich, Michael Liebig

**In Montreal, Canada:** 514-855-1699

**In Denmark:** EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

**In Mexico:** EIR, Serapio Rendón No. 70 Int. 28, Col. San Rafael, Del. Cuauhtémoc, México, DF 06470. Tels: 55-66-0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.

Copyright © 2004 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited.

Canada Post Publication Sales Agreement #40683579

**Postmaster:** Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

## From the Associate Editor

**L**Lyndon H. LaRouche, Jr. will deliver a Jan. 5 webcast in Washington, D.C., sponsored by LaRouche PAC, on the theme, “The Deadly Crisis of International Relations.” The event is from 1:00-5:00 p.m. Eastern Time, and can be viewed at [www.larouchepac.com](http://www.larouchepac.com).

Occurring the day before Congress reconvenes to certify the 2004 elections, this webcast will be a milestone in the mobilization to stop the Bush-Cheney march toward fascism. The two crucial flanks in this fight are featured in this week’s *EIR*: blocking the “Pinochet Plan” for Social Security privatization; and bringing to justice those responsible for voter suppression in the Nov. 2 elections.

General Pinochet, of course, has been a hobby-horse of the Left for 30 years. But what suddenly makes the Chilean court’s indictment of the old Nazi big news, is the fact that it occurs just as President Bush has announced plans to bring the Pinochet “model” of Social Security privatization to the United States! Our cover story draws on two decades of *EIR* research, plus the testimony of two Chilean analysts who affirm that the pension “reform” of 1981 has been an unmitigated disaster for the working population.

The Bush Administration is moving fast and hard, hoping to catch people off guard, with the Big Lie that “Social Security is broken.” As we documented last week, that is simply not the case. This is the most successful program of the FDR legacy, and it is quite capable of coping with the aging of the Baby Boomers—in the context of LaRouche’s program to restore the economy to a *production* orientation, rather than a *consumer* fixation.

In line with the assault on Chile by the synarchist bankers, we continue our series on what author John Perkins has called the “Economic Hit Men”—this time, telling the stories of the Philippines and Mexico. In both cases, LaRouche has been at the center of the fight for development for decades.

In *National*, we have an extensive documentary package on the fight against voter suppression. This material—including important statements by U.S. Congressmen—is being given scant coverage in the national press, so we provide it for the record.

*Note:* In accord with our usual schedule, *EIR* will not be produced next week. The next issue is dated Jan. 7, 2005.

*Susan Welsh*

# EIR Contents

## Cover This Week

Chile's former  
dictator Gen.  
Augusto Pinochet.



- 4 Drive To Stop Bush's 'Pinochet Plan' To Loot Social Security**  
The Cheney-Bush plan for privatizing the U.S. Social Security system to benefit Wall Street, is—by Bush's own account—modelled on the Pinochet dictatorship's pension privatization in Chile in 1981. That program was designed by "the Chicago Boys," under George Shultz.
- 7 Pinochet's Indictment: The Real Significance**
- 8 Chile Labor Leader: No to Fascist Pension Plan**  
An interview with Arturo Martínez.
- 9 Chile: Private Pensions a Quarter Century On**  
A guest commentary by Manuel Riesco of the Center of National Studies of Alternative Development, in Santiago, Chile.
- 11 An Obituary for London's 'Chilean Economic Miracle'**  
Reprinted from *EIR*, July 21, 1995.
- 16 Ryan-Sununu Bill: Case Study of Looting Plans**
- 18 Social Security As FDR Defined It**

## The Economic Hit Men

- 20 Shultz and the 'Hit Men' Destroyed the Philippines**  
The U.S.-orchestrated coup which overthrew the government of Philippines' President Ferdinand Marcos in 1986 was a classic case study of what John Perkins describes in his book *Confessions of an Economic Hit Man*, as the post-World War II preferred method of imposing colonial control under another name.
- 23 Why Marcos Was a Target of the Economic Hit Men**
- 27 How Mexico Fought the Hit Men**  
The collaboration between Lyndon H. LaRouche, Jr. and Mexican President José López Portillo (1977-82) posed a potentially mortal threat to the synarchist bankers internationally.

## National

### 42 LaRouche Spurs Broad Fight Against Bush's Election Theft

Since Lyndon LaRouche on Nov. 9 called for prosecutions of those who engaged in vote suppression, as violations of the Voting Rights Act, the fight against the theft of the Nov. 2 elections has exploded, reflecting a revived sense of combativity within the Democratic Party.

**Documentation:** State Electoral College resolutions against voter suppression; testimony to Congress by LaRouche spokeswoman Debra Hanania Freeman; the intervention of Rep. John Conyers (D-Mich.) and 11 other Congressmen, demanding that Ohio Secretary of State J. Kenneth Blackwell stop "stonewalling" over the Election Day violations of voters' rights; and an Ohio voters' lawsuit to stop the certification of George W. Bush as President.

### 56 A Dangerous Game With Ukrainian Sovereignty

A report on a Washington conference provocatively titled "Ukraine's Choice: Europe or Russia?" sponsored by the New Atlantic Initiative.

### 58 GOP Rams Through Police-State Bill

### 59 National News

## Economics

### 60 China Warns Foreign Exchange and Hedge Fund Speculators

The disastrous financial losses suffered by China Aviation Oil in Singapore, from speculation on oil price derivatives, have set alarms ringing in China.

### 62 French Senate Study: For a 'Neo-Colbertist Europe'

## International

### 64 Iraqi Elections Planned Amid Danger of Civil War

The escalating guerrilla warfare against the occupation forces has created a situation under which nationwide polls that would be trusted by the population cannot be held.

### 67 Genocide: Millions Dead in Congo

The International Rescue Committee documents that the worst case of genocide anywhere on the planet is occurring in the Democratic Republic of the Congo.

### 70 International Intelligence

## Interviews

### 8 Arturo Martínez

The president of Chile's largest labor federation, the Unified Labor Federation, has a blunt warning for the U.S. Congress.

## Departments

### 63 Report From Germany

Without New Concepts, Labor Will Lose.

## Editorial

### 72 The Nazi Hit Men Return

**Photo and graphic credits:** Page 5 (leaflet), LaRouche PAC. Page 5 (White House conference), White House photo. Page 18, Franklin D. Roosevelt Library. Pages 21 (Shultz), 39, EIRNS/Stuart Lewis. Page 21 (Wolfowitz), DoD/R.D. Ward. Page 22, members.rogers.com. Page 23, EIRNS/Michael Billington. Pages 24, 30, 33, 38, EIRNS. Page 25, Philippine government. Page 26, UNICEF/Jim Wright. Page 28, EIRNS/Philip Ulanowsky. Page 41, PIB Photo. Page 43, EIRNS/Steve Carr. Page 65, U.S. Army/Andrew D. Young. Page 68, EIRNS/John Sigerson.

## Drive To Stop Bush's 'Pinochet Plan' To Loot Social Security

by Paul Gallagher

A monstrous delusion, in the service of saving a falling U.S. dollar and a bankrupt international monetary system, was presented by George W. Bush's so-called Economic Summit on Dec. 15-16. A lock-step parade of globalization ideologues, beginning with Vice President Dick Cheney, claimed a "great recovery" for the crisis-ridden U.S. economy—and then demanded to save the dollar by grabbing trillions of dollars from the Social Security benefit funds of tens of millions of Americans. Even the seldom-truthful President said, "Do it for Wall Street," in his Dec. 16 speech concluding the "summit" and calling for Social Security privatization. The summit capped a 10-day period in which Bush devoted four major public meetings and two additional Presidential addresses to a manic rush to force privatization plans on the Congress.

A mass leaflet by Lyndon LaRouche, triggering an explosion of national opposition to the Social Security grab, called it "Enron II," and featured a cartoon of a lunatic little Bush leaning on a hulking Gen. Augusto Pinochet. Pinochet is the former brutal dictator of Chile, just indicted on Dec. 14 for multiple murders of opposition leaders. This "Enron II," the Cheney/Bush plan for looting of the Social Security system, is—by Bush's own repeated account—modelled on the Pinochet dictatorship's pension privatization in Chile in 1981. It's an economic model of fascism, designed then by Friedmanite economists and bankers known as "the Chicago Boys," operating under direction of the synarchist fixer of Republican administrations, George Shultz. Shultz's pet economist, Milton Friedman, admitted then, in 1980, that such policies as this Social Security privatization could not be carried out by democratic governments, but only by dictatorships. Under the goad of synarchist bankers and financiers like Shultz—who is also directing the path of Hollywood "beast-man" governor Arnold Schwarzenegger in California—Cheney and Bush are going for fascist economic policy.

Can President George "Enron" Bush put through the Pinochet model—just as



*The LaRouche Political Action Committee’s leaflet takes aim at Bush’s “Pinochet Plan” for Social Security privatization. Right: Bush addresses the White House Conference on the Economy, Dec. 16, 2004. The main item on the agenda was Social Security “reform.”*

Pinochet’s crimes are again at the top of the news—and looted the Social Security payroll tax contributions, while promising “younger workers” a chance to make it back through private accounts? Not without facing a “revolutionary” ferment of opposition. LaRouche’s leaflet and interviews, websites, and publications are intersecting an immediate *institutional* rejection and opposition to the scheme, by constituencies linked to Democratic and Republican Parties alike. Its own designers admit it will lower Social Security benefits in the immediate future, and commit the Treasury to an immediate \$2 trillion in new government debt to cover the costs of diverting payroll taxes to Wall Street’s “private accounts.” It’s a huge threat not only to Social Security, but to the entire economy. Wall Street investment banks are waiting for fees, conservatively forecast at \$10-15 billion a year, from privatized Social Security accounts—just as 96% of Chile’s privatized pension funds ended up in foreign banks in New York and Madrid, exacting 12-15% of the pay-ins as fees.

But only LaRouche so far dares give the privatization its proper name—an attempted fascist “cold coup,” using a lunatic President. Americans organized into this fight by LaRouche and his youth movement quickly understand that the reason for this fascist drive is the collapse of the dollar.

Thus, only the former Democratic Presidential candidate is giving Americans instinctively opposed to this looting scheme, the sense of strategic mission they need to beat Bush. The head of the Chilean CUT labor federation, Arturo Martínez, sent through *EIR* an urgent appeal to Congress:

“Don’t do it! Don’t impose Pinochet economics on the American people” (see box).

### **Congress To Be ‘Electrocuted’**

Key Democratic Congressional offices are coordinating with LaRouche’s representatives to stop Bush. Many Republicans are afraid of the wide opposition to the scheme, desperately asking the White House to “get some Democrats to support it,” although a few of them are publicly criticizing the manic looting plan. Former Republican Congressmen are willing to speak out: Rep. John Frenzel of Minnesota, for example, commented that “Republicans in Congress are not going to want to get electrocuted for the President” by voting against an aroused public resistance.

The broader mobilization of the Congressional Democrats was signalled in a Dec. 7 letter from Reps. Charles Rangel (N.Y.) and Robert Matsui (Calif.), which forecast “disunity within the Republican Conference [over] Social Security privatization,” and challenged fellow Democrats: “The fight to protect Social Security from privatization will be the biggest fight our caucus wages next year. Democratic unity on this issue—in stark contrast to Republican discord—will be critical to our eventual success.” Outside the Bush “economic summit,” leaders of national organizations of senior citizens, labor, and minorities—the AFL-CIO, the NAACP, the Alliance for Retired Americans, and others—held a press conference declaring war on the Bush/Cheney privatization swindle. At that event, George Kourpias, president of the

## Chilean Leader: Don't Repeat Tragedy

*Arturo Martínez, president of Chile's largest labor organization, the Unified Labor Federation (CUT), directed this message to members of the U.S. Congress:*

I would tell them that they cannot repeat the failure of Chile; the system has failed. In Chile, we are replacing this system, because it *collapsed*. And the United States cannot try to implement a system which was imposed by blood and fire by Pinochet, who finally imposed it by force. The United States, at least, will have to debate with its people, what it is that they want to do for the future of pensions in that country, but they can't copy a fascist model, a model of individual capitalization, which only serves for the investors to make money. . . .

We're debating how to reform the pensions, because the model collapsed! I don't understand how Bush wants to install it in his country. The system only works for those who make a lot of money. It's very bad for those who receive low- or middle-level salaries, and bad for those who have temporary or transitory jobs.

Alliance for Retired Americans, forecast that the fight against Social Security privatization "will be the fight of our lives," and said, "We must resist efforts to push privatization.

The spirit to actually give Bush a thorough political beating and stop his lunatic fascist lunge, was shown when a LaRouche Youth Movement leader spoke to the Los Angeles County Democratic Party meeting the evening of Dec. 14, on the "post-election crisis." Cody Jones began by saying that the fight is not just about a lost election, but about fascism, that the networks behind Bush conducted systematic voter suppression to insure his re-election, so he will be in power as their system is disintegrating. Describing the battles against vote suppression and privatization as flanks of LaRouche's mission to stop a fascist coup, Jones was interrupted by applause and given a standing ovation by a organization he had remoralized to fight.

### U.S. at the Center of a Global Battle

LaRouche emphasizes that the rapidly expanding fight against the privatization of Social Security in the United States is not only an American issue, but the central battle of a global war by constitutional forces, against fascist austerity policies. Hence the crucial significance of Cheney/Bush publicly citing "the Chile model" for their privatization drive, and the simultaneous indictment of Pinochet for human rights

violations and murder. The key ideologue of the Social Security privatization plan which Bush's commission adopted from the right-wing Cato Institute, is José Piñera—who was the Labor Minister and privatization specialist of the Pinochet dictatorship. Last month, at an international summit in Santiago, Chile, George W. Bush stated that "Chile provides an excellent example for Social Security reform."

In the United States, politically crushing Bush on this issue, coupled with the growing exposure and investigation of vote suppression and Voting Rights Act violations in Bush's re-election, can bring down his Administration.

A fight against George Shultz's "Pinochet model" puts LaRouche's American movement in the center of an international confrontation caused by a collapsing dollar-based monetary order. Faced with a worsening economic-financial collapse, there is now an attempt to impose the fascist Chilean model internationally, and increasing resistance to it. Mexico's Congress, for example, is in the midst of a full constitutional confrontation with synarchist President Fox, stopping his attempt to seize (or eliminate) Congressional budgetary powers, in order to impose austerity unprecedented in Mexican federal history. In Peru, patriotic nationalist forces are fighting attempts to impose similar budget austerity, including eliminating the last vestiges of public pensions. The Argentine government of President Néstor Kirchner is in an intensifying life-and-death policy battle against the International Monetary Fund (IMF) and the nation's ruinous creditors; again there, the privatization of social security, carried out in 1993, was bought with a huge new bubble of government debt, which helped push Argentina over the edge into general economic collapse seven years later.

Thus, LaRouche observed, there now is a continuous fight against fascist austerity policies of a failing system of globalization, up and down the Andean spine, into Mexico, in the United States—and also in Europe. In Germany, the government's "Hartz IV" program of cuts in unemployment benefits and public-sector wages, designed by the CEO of Volkswagen, has been imposed in the midst of large-scale and growing unemployment. "Monday demonstrations" initially catalyzed by the LaRouche Youth Movement under Helga Zepp-LaRouche's leadership, have been continuing for months in some German cities, intersecting increasing numbers of large industrial strikes. France faces a similar effort to impose fascist austerity on the part of Nicolas Sarkozy, the Minister of Economics and Finance who is trying to seize control of the governing party from President Jacques Chirac.

In fact, the fascist "Pinochet model" is being pushed not just by the "economic summit" of Cheney and Bush, but globally. But because of Bush's sudden manic push to overturn Franklin Roosevelt's General Welfare-based Social Security system, the key, central fight to defeat the "Chile Model," is clearly now in the United States, with LaRouche at the center of it.



# Pinochet's Indictment: The Real Significance

by Cynthia R. Rush

On Dec. 13, Chilean Judge Juan Guzmán Tapia announced the indictment and house arrest of former dictator Gen. Augusto Pinochet on charges of kidnapping nine dissidents, and murdering one of them, under the military regime that began on Sept. 11, 1973 and ended in 1990. Reversing a 2002 court ruling that had concluded that Pinochet's mild dementia made him unfit to stand trial on any charges, Judge Guzmán stated that the 89-year-old Pinochet was "mentally competent to face a criminal trial in Chile."

Although an injunction against Pinochet's house arrest was obtained by his defense lawyer, Pablo Rodríguez, the case is expected to proceed, and more indictments on related cases will follow. These include the \$8 million that Pinochet stashed away in secret accounts in Washington, D.C.'s Riggs Bank—his entire fortune is said to be \$15 million—and the 1974 assassination of Chile's Gen. Carlos Prats and his wife in Buenos Aires. Judge Guzmán is also reportedly preparing to order a freeze on Pinochet's financial assets, while two Chilean lawyers have filed papers demanding that Pinochet's immunity in the Riggs Bank case be lifted.

Guzmán's ruling immediately produced a flurry of international press coverage, all with very detailed reports on the years of brutal repression, kidnappings, and murders carried out not only by Pinochet's domestic security apparatus, but also by the "Operation Condor" mechanism, which included the four other military governments ruling at the time in the region—Argentina, Bolivia, Paraguay, and Brazil. Finally, these exposés concluded, Pinochet will be brought to justice for his murderous crimes.

## The Real Story

But these reports miss the point, many of them deliberately so. The strategic significance of Pinochet's indictment goes beyond the issue of human rights violations, per se. It puts an international spotlight—appropriately—on the current drive by the insane George W. Bush to ram through in the United States the same fascist Chilean economic model, *starting with the privatization of Social Security*, that synarchist bankers imposed first on Chile in 1973, and then on the rest of Ibero-America.

As *EIR's* own investigation has shown, the leadership of Operation Condor came out of the synarchist factions of the region's Armed Forces, which coordinated with the neo-fascist networks behind Europe's "Operation Gladio" and the



*Chile's Gen. Augusto Pinochet has been indicted for crimes committed during his 1973-90 military dictatorship—just as the Bush Administration hails his "reform" of Chile's pensions.*

"strategy of tension" it spawned, especially in Italy. These Operation Condor synarchists killed, tortured, and "disappeared" thousands of Ibero-Americans, so that the University of Chicago-trained economists who took over with Pinochet in 1973, or the Finance Minister of Argentina's 1976-83 military regime, the British-trained José Martínez de Hoz, could impose their fascist free-market economic policies.

George Shultz, former head of the University of Chicago's Business School and later Secretary of State, along with former Secretary of State Henry Kissinger, oversaw the project from the top. On the ground, the terrorism unleashed by left-wing synarchists fuelled Operation Condor's military barbarism, ultimately engulfing the region in a "dirty war" which caught thousands of innocents in the crossfire.

## Economic Fascism

Today, as the head of Chile's Unified Labor Federation, Arturo Martínez, told *EIR* (see interview following), the private pension model is an abject failure, imposed by a fascist

regime which took away not only pensions and labor rights, but any possibility of an existence defined by a defense of the general welfare. In the 1981 privatization, the free marketeers simply stole a \$22 billion state-run pension fund to keep an expanding debt bubble afloat, while savagely looting the state sector and any other productive economic activity in the name of “economic freedom.”

Chilean Congressman Carlos Montes, who heads up the commission investigating the privatization of state companies under the Pinochet regime, has begun to unearth the sordid details on how this financial looting was carried out. Pinochet and his “Chicago Boys” ministers, some of whom ended up running the private pension funds (AFPs) or were handed control of privatized companies, made millions off this process, likely laundered through Riggs Bank, according to ongoing criminal investigations. Pinochet and several of his government ministers have had multimillion-dollar accounts at Riggs at one time or another.

Montes is probing the business activities of 38 of the dictator’s relatives, in connection with money-laundering and tax evasion, and as these details emerge, they will most likely be the basis for future indictments. Pinochet’s son-in-law Julio César Ponce Lerou, today one of Chile’s wealthiest businessmen, was president of the government agency that supervised the privatization of all state-owned companies.

It is instructive that the same rapacious financial interests that have bought up the bulk of Ibero-America’s privatized state companies, including most particularly Chile’s, now also control 96% of the Assets Under Management (AUM) of the country’s private pension funds. Chief among these interests, with \$11.3 billion, or one-third of the \$35.5-billion total, is Spain’s Banco Bilbao Vizcaya Argentaria (BBVA), which *EIR* has exposed for its historic links to drug-money-laundering. Spain’s Banco Santander, Citibank, and Canada’s Sun Life are among the other leading owners.

---

Interview: Arturo Martínez

---

## Chile Labor Leader: No To Fascist Pension Plan

*If you had the opportunity to speak before a committee of the U.S. Congress about Chile’s privatized pension system, what would you tell them? This was the question posed by EIR to Arturo Martínez, president of Chile’s largest labor federation, the Unified Labor Federation (Central Unitaria de Trabajadores, or CUT) on Dec. 14. His answer was blunt:*

*“I would tell them that they cannot repeat the failure of Chile; the system has failed. In Chile, we are replacing this system, because it collapsed. And the United States cannot try to implement a system which was imposed by blood and fire by Pinochet, who finally imposed it by force. The United States, at least, will have to debate with its people, what it is that they want to do for the future of pensions in that country, but they can’t copy a fascist model, a model of individual capitalization, which only serves for the investors to make money. The money of the workers is being invested, and the investors are making a lot of money from it, but the workers don’t benefit.”*

*Martínez’s dramatic warning was made at the conclusion of an interview he gave EIR by phone from Santiago on Dec. 14. A labor leader who was imprisoned for more than eight years under the regime of Gen. Augusto Pinochet (1973-90), Martínez was elected president of the CUT in 2000, and in August 2003, he organized the first national strike in the country in nearly 20 years, against new efforts to deepen the destruction of labor and social protections—efforts for which the “Chilean economic model” is infamous. The rest of the interview follows.*

**EIR:** Could you say how the CUT views Chile’s privatized pension plan? How has it affected labor?

**Martínez:** This is 23 years old, this privatization of the pensions. And in 23 years, a very concrete evaluation can be made. First, it has a great problem when it comes to coverage. In our country, 6.4 million workers have entered this system, and 2.9 million normally continue to pay into it.

**EIR:** When you say, continue to make payments, do you mean monthly?

**Martínez:** Each month: Some enter, some leave. Therefore, the question is—first, there is no total coverage; that is, coverage is very weak. Coverage does not extend to 50% of the labor force. This is so, because work in Chile is sporadic; workers get seasonal work.

The second problem is the level of adequacy: The rate of return which those who are paying into the system are going to get, is not going to reach the level of a minimum pension. Fifty-eight percent of the 2.9 million are not going to get the funds to meet a minimum pension. And the state is going to have to cover the difference—as long as these people have paid into the system for 20 years.

**EIR:** And the others?

**Martínez:** The difference is not covered for those who haven’t participated for 20 years, which is many, many people. Here enters the question of the temporary workers who work for three months, four months, and then leave employment; they are unemployed for four, five months, and they then seek a job again. That lasts three months, and they enter again. So there is a lot of labor force mobility.

**EIR:** Do you have an estimate of how many people live under these conditions?

**Martínez:** Approximately 3.8 million workers work for an employer, and of these, 2.6 million hold temporary jobs, hired job by job, for fixed periods—without social security benefits, much less a pension. That is, the great majority of Chile's workers have no social security.

**EIR:** And in Chile, this includes the health system also?

**Martínez:** Exactly. So all these people become a burden on the state, because it looks after them as indigents. The weight of this for the state is a tremendous responsibility, because the health system looks after them as indigents, and then when they reach old age, it has to look after them again as indigents for their pensions, giving them welfare pensions.

This system is good for those who have a high income. But it is very bad for people who have a middle or low income. And it is bad also for the people who have temporary, occasional, and transitory work.

**EIR:** Which are the majority, it appears.

**Martínez:** Which are the majority. The situation is such that in January of next year, 2005, the debate over the reform of pensions in Chile is to begin.

**EIR:** Where will this take place? In the Congress?

**Martínez:** First the government is going to raise the issue, and the government has to present a bill for a new pension system in Chile. Because the new labor reality which we face does not take into account this situation. When this system was set up 23 years ago, there was not such great labor mobility. We have a collapsed system, at a tremendous cost to the state. And in addition to that, it is deficient in its benefits and deficient in coverage.

**EIR:** This question of “labor mobility” is the World Bank's plan.

**Martínez:** It is savagery. And the World Bank has come to Chile to say that it wants even more mobility, more labor flexibility. We just stopped the system of flexibility, at least from here until the change in government. We don't know what government there will be. We had to call a general strike.

**EIR:** When was that?

**Martínez:** On Aug. 23, 2003. And we are now preparing ourselves for next year, because they are again insisting on the issue of labor flexibility. Chile is the country with the greatest labor flexibility.

**EIR:** And look at the results. This is very important for the United States. For other countries also, but it is important that this be understood in the United States, because it is an entire system, not only social security.

**Martínez:** It is a system which was implemented here, but

which has been increasing in other countries. Not with the savagery with which it has been implemented here, but it is always the same line. What we are proposing, is that this system be reformed; that a public AFP [pension fund—ed.] be created, with solidarity as a pillar, and one in which the employer and the state also contribute, to ensure a sufficient level, to ensure adequacy, because individual capitalization does not work for the workers, especially those with low income.

**EIR:** Do you have a written proposal on this?

**Martínez:** Yes. We have a written proposal which we are going to release to the public on Jan. 10.

**EIR:** It is very interesting that today, Chile—just as Bush plans to run his great campaign for the Chilean model—

**Martínez:** It has collapsed! We are debating how to reform pensions, because the model has collapsed. And I don't understand how Bush could want to implement it in his country.

**EIR:** He thinks he is God now. . . .

## Chile: Private Pensions A Quarter Century On

by Manuel Riesco

*The author is a member of the board of CENDA (Center of National Studies of Alternative Development), of Santiago, Chile, [www.cep.cl](http://www.cep.cl). Riesco is also External Research Coordinator (on social policy matters) for the United Nations Research Institute for Social Development (UNRISD). He can be reached at [mriesco@cep.cl](mailto:mriesco@cep.cl).*

December 2004: The privatization of pensions in Chile during the Pinochet dictatorship has been hailed worldwide as a success story, and President Bush recently said that it was “a great example” for Social Security reform in the United States. Its champions continue to repeat the arguments on which it has been presented since its inception. Some of these arguments are strictly ideological: It is a better system because it depends on property, free choice, and personal responsibility; and it links individual contributions with benefits, personal effort with their reward. Other arguments were based in financial and actuarial calculations, which proved that, at 4% yearly rates of return, saving 10% of salaries throughout an active lifetime would afford pensions in the order of 70% of salaries at retirement. The cost of transition—due to the fact that social security contributions are funnelled into the new system, while the state continues to provide financing for the old pay-

as-you-go system—was to be financed by privatizations, long-term public debt, extra economic growth due to the optimized investment of pension funds by the private administrators, and a “residual” tax on wages. Recent arguments have been added, that seem tailored specifically for U.S. consumption, such as the fact that the new system entitles the worker to his pension savings, even though he may be an immigrant who returns home at retirement. Nevertheless, the Chilean private pension system has not been able to keep these bright promises, a quarter century on.

In Chile today there is a broad consensus among experts that the Chilean private pension system will provide pensions on its own only to the upper income minority of the enrollees to the system. Even for them, it seems highly unsatisfactory, mainly because of the high fees charged by private pension administrators. These, in turn, are six companies that have become the most profitable Chilean industry, one that is immune to recessions, with average return on equity of over 50% a year since 1997.

Meanwhile, a sizable majority of the workforce will not receive minimum pensions out of their savings in the system, and are not entitled to the complementary public social security “safety net” either. Recent studies by the State regulator of the private pension administrators, Superintendencia de Administradoras de Fondos de Pensiones (AFP) have concluded that over half of the enrollees in the new system will never be able to save enough in their pension accounts by retirement, to fund even the “minimum pension,” which is set presently on the order of \$100 a month. A parallel study by the AFP Association—that is, the private pension administration industry—came to exactly the same conclusion. In the latter case, though, those who will never save enough funds are divided in two groups, one of which comprises fully one-third of enrollees and is simply left out of the calculation, on the grounds that they will never contribute more than ten years into the system. Two different studies by the State administrator of the public pension system, Instituto de Normalización Previsional, concluded that those who would be unable to save enough for the minimum pension, amount to about two-thirds of the enrollees.

All of the above studies agree as well that the State guarantee of “minimum pension” is almost completely ineffective, because very few enrollees in need of that guarantee will comply with its pre-requisite of 20 years of contributions into the system. On the other hand, most enrollees do not apply for the non-contributive “assistance pension” offered by the State, which presently amounts to about \$50 a month, because it is subject to quotas, and targeted to the extremely poor. The above leaves most of the Chilean workforce with no entitlement at all regarding pensions—except withdrawing the meager funds accumulated in their individual pension accounts.

These results have been confirmed by none other than the World Bank itself, an institution that during the past decades

championed Chilean-style pension reforms all over the world. In a recent book, suggestively entitled *Keeping the Promise*, the Bank acknowledges that private pension systems are not able to provide income security for old age for sizable portions of the workforce, and suggests that the State should provide some kind of basic pension entitlement that is not subject to any sort of quotas.

In the Chilean case, the above-described situation is not an eventuality for the future, but the crude reality that most enrollees to the new system who are reaching retirement age are confronting today. They have very little money in their individual accounts; they are not entitled to the State guarantee of a minimum pension because they have contributed less than 20 years, and they are not extremely poor, for which reason they are not entitled, either, to the State-provided, non-contributive “assistance pensions.” In their case, however, they have been subject, as well, to what is widely known in Chile today as “pension damage.” “Pension damage” affects the cohort who joined in 1981—that is, all those who were working at the time the pension reform was implemented, and changed to the new system, and who comprise about one-sixth of all enrollees.

Most of the Chilean workforce was, in fact, forced to join the new system, including all those workers hired since 1981, who were given no choice at all. Those who were working under a formal contract at the time were given the one-time choice to change or stay in the old pay-as-you-go system. In practice, however, most were forcibly induced to change to the new system by their employers, and by a huge propaganda campaign implemented by the dictatorship that promised better wages today and better pensions tomorrow for those who changed. Transition arrangements for those who changed to the new system specified that the State would contribute to their new pension accounts with an amount called “recognition bond,” with the equivalent of their past contributions to the old system.

Nevertheless, the amount of “recognition bonds” was calculated as the average of wages earned in 1978, 1979, and 1980, which happened to be years when wages were still very depressed, after the slashing of roughly half their buying power in the wake of the 1973 coup. Furthermore, contributions into the system during the 1980s were also meager, because wages were again depressed, and unemployment reached levels of 30% of the workforce, during the severe economic crisis that affected Chile in 1982 and lasted four or five years. In addition, for State employees, contributions into the pension accounts were further depressed during the 1980s, because they were calculated over only a part of their salaries.

## **Pensions Cut in Half**

As a result, if two work colleagues reach retirement age in Chile today, both with the same salary and the same number of years contributing to social security, one of them who remained in the old pay-as-you-go and the other who changed

to the AFP system back in 1981, the latter will receive less than one-half of the pension of the former. This huge difference has been documented in hundreds of thousands of individual cases by the Association of Employees with Previsional Damage, and their demand for a reparation has been heard by parliament, where a group of members of Congress belonging to all political parties presented the problem to the government, which has since started negotiations with the affected workers.

The above notwithstanding, the privatization of pensions may have been a mixed blessing for the Chilean workforce. On the one hand, as all Chilean workers own individual pension accounts that are reviewed monthly, they provide excellent statistics of their crude labor reality. The numbers indicate that the modern Chilean workforce is composed mainly of a huge mass of persons who permanently move in and out of short-term salaried jobs, half of which last less than four months, and in most cases less than a year. While they are not working for a salary, Chileans survive working on their own—when they are able to do so; because at present, for example, around 10% of the workforce is unemployed, even according to government figures that are widely considered underestimating the real joblessness rate. As a result, 70% of the workforce contributes less than six months each year into their pension accounts, and over half of the workforce contributes less than four months each year. These figures show a huge bias for the worse, in the case of women and the poorest.

On the other hand, in their enthusiasm to grab pension contributions, the promoters of the system did not pay much attention to the public purse. To their personal benefit as well, as the boards of AFP companies are full of ex-cabinet members of the Pinochet government. While the old pay-as-you-go system produced a yearly surplus—as is the case with the present U.S. system, for example—the fiscal consequence of the Chilean pension reform was, on the contrary, a huge pension deficit, which has been paid out of regular government revenues. The public expenditure in pensions has remained consistently in the order of 6% of Chilean GDP since 1981. It has absorbed almost one-third of the overall government budget, and over 42% of public social expenditures.

Chile spends more public funds in the pension deficit than it does in education and health, put together.

The current pension deficit, naturally, is occasioned mostly by the fact that most social security contributions are funnelled to the new system, while the current pensions continued to be paid by the State. Almost three-fifths of the public expenditures in social security are dedicated to pay for the remaining pay-as-you-go system, and for the “recognition bonds” transferred to the new system. Another fifth is to dedicated to pay the pensions of the military, who took good care of avoiding, themselves, the system they imposed on the rest of the citizenry. As both these expenditures end up in a large portion in the pockets of the upper income segment of the Chilean population, they manage to upset the redistributive

effect of all the rest of public social expense, even though it is highly targetted to the poor. An additional fifth of public expenditures in pensions go to the non-contributive “assistance pensions.”

Nevertheless, on the other hand, public expenditure is so high—it is the equivalent of about \$250 a month for each Chilean over retirement age, which is 60 years for women and 65 for men—that just keeping it at present levels as a proportion of GDP may well finance a decent universal basic pension for retirees. Of course, most of the above-listed expense items will diminish in time, and even the military should sometime be made to join the rest of Chileans in a universal system. On the other hand, Chilean GDP is growing much faster than the population over retirement age. The savings in the AFP system—duly reformed to impose serious competition and lower costs—may conform to a good, complementary, second tier in a Chilean pension system that in the end will be recognized not as a private one, but a mixed public-private one.

Most certainly, in the future as it is today, most Chileans will continue to receive most of their pensions out of the public pension system.

## An Obituary for London's 'Chilean Economic Miracle'

by Dennis Small and Cynthia Rush

*For over two decades, EIR has been exposing the fascist reality behind the so-called “Chilean economic miracle” touted by Wall Street and the City of London. For example, in our Sept. 1, 1981 issue, Mark Sonnenblick wrote an article entitled: “ ‘Free Enterprise’ Doesn’t Work: The Chilean Model,” which reported: “The Friedmanite reforms have markedly reduced the productive efficiency of the economy; resource allocation is increasingly irrational.” In the April 3, 1992, issue we published a feature called “The Fraud Behind Chile’s Economic ‘Success Story.’ ” And on July 21, 1995, EIR published an in-depth analysis of Chile’s economy, with the above title. Although written almost a decade ago, the central points remain fully valid today; and so we publish the following excerpts:*

Chile: Margaret Thatcher’s dream economy. Newt Gingrich’s answer to the Welfare State. London’s pride and joy, its rejoinder to those who, in the wake of the December 1994 Mexico crash, are increasingly rejecting the International

Monetary Fund's (IMF) free-trade economics as a failure.

You've probably read about the "Chilean success story" in your newspaper, or seen it reported on TV. But is the sales pitch true?

No. In the nearly 22 years since British free-market policies were imposed on Chile by quack economist Milton Friedman's "Chicago Boys," most aspects of Chile's *physical economy*—which should not be confused with misleading monetary parameters such as Gross National Product (GNP)—have actually *fallen* in per capita and per household terms. Yet during this period, the speculative bubble of foreign debt grew more than sixfold, while interest on that debt was religiously paid to the creditor banks and the IMF.

These policies brought the country to national bankruptcy in late 1982, but then were continued in a slightly modified form from 1983 until the present. By imposing a new package of drastic forced savings—including the groundbreaking "privatization" (i.e., seizure) of the national pension fund—the bankers managed to keep looting the economy in order to pay the foreign debt. In short, they kept their beloved Chile Model afloat . . . or so they have convinced themselves. But the fact is that this phase of looting is also rapidly coming up to the limits of what the physical economy can withstand.

For the international financial elite, Chile is thus an experiment, a test tube case which they think proves that a country can be looted to the point of breakdown, and then looted again. As the London *Economist* wrote in its June 3, 1995 issue: "For 25 years Chile has been a laboratory for radical political and economic experiments, a social-scientific guinea pig."

London has promoted the "neo-liberal" Chile Model for a long time. As the *Times* of London put it back in 1980, Chile "hopes to minimize the role of the state and realize a Friedmanite dream world, where society subscribes to individualist rather than collectivist principles." . . .

## Pinochet and the 'Chicago Boys'

In September 1973, Gen. Augusto Pinochet led a military coup which overthrew the socialist government of Salvador Allende in Chile. Economically, the Allende government's policies were a chaotic disaster. Politically, the situation was even worse, with Allende handing the country over to Fidel Castro, who had camped out in person in Chile for months before the coup.

Pinochet and the ruling generals were thus prime candidates to be sold British "individualism" and free trade as a supposed alternative to Marxist "collectivism." And buy it they did—lock, stock, and barrel—from such London traveling salesmen as Henry Kissinger. Chile under Pinochet became the first country in the world to adopt the economic quackery of 1976 Nobel Economics Prize winner Milton Friedman of the University of Chicago. From the outset, all of Pinochet's key economic advisers were "Chicago Boys," seconded directly by Friedman.

They quickly transformed Chile into a free-market showcase. Over the next decade, tariffs were slashed; the currency was left to float; most of the large state sector was privatized for a song; government spending, especially on social welfare items, plummeted; wages and employment went into free fall. And a speculative financial bubble of impressive proportions was fostered.

But these first ten years of the Chile Model are not what London is referring to in its current promotional campaign. In late 1982, the Chilean financial system went bankrupt, in a process which is strikingly reminiscent of what occurred in Mexico last December. But as the London *Economist* was quick to reassure its readers, "the 1982 crash did not, however, provoke any fundamental shift away from the basic aims of trade liberalization and a shrinking state sector." Instead, Chile slightly retreaded the same neo-liberal policies, got monetary inflation under control, and established a new, more "stable" basis for continued debt looting. This is what the bankers are so anxiously promoting at this time. They want Mexico today—and the string of other national bankruptcies that they fully expect to follow in Mexico's footsteps shortly—to do as Chile did in 1982-83. This is one way they hope to handle the expected upcoming crash of the world derivatives bubble.

As the June 6 *Washington Post* explained the matter, what Chile shows is that the "fallen can rise again. . . . After the country's spectacular economic collapse in 1982 . . . [Chile is] now a model for Mexico."

## Recovery or Death Rattle?

How did Chile supposedly return from the dead?

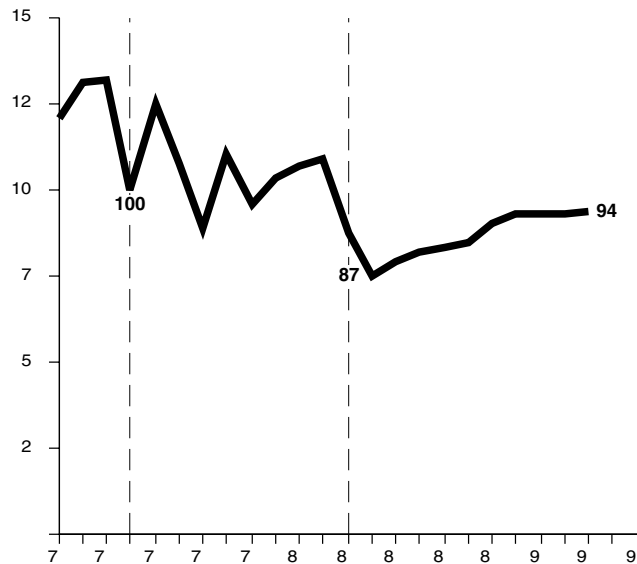
"The country was rescued," the *Post* argues, "by its internal savings, which were accomplished through tax measures; through the success of Chile's private pension plans; and by cutting back on spending."

These savings, according to Chile's apologists, were then reinvested to develop the domestic economy. A figure that is often cited is that Chile has achieved a national savings rate of close to 25% of GNP, as compared to 15-20% for other Ibero-American countries. The apologists are usually quick to admit that, as a result of such forced savings, the population's consumption and general welfare have suffered. More than one-third of the population, for example, lives below the poverty line, according to official statistics. But, they sagely explain, this is merely an unfortunate side-effect of an otherwise successful free-market strategy, a shortcoming which will be corrected over time by the economic boom now under way.

This is a Big Lie. Chile has, in fact, achieved relatively high so-called savings rates, in large measure through the privatization of its pension funds, as we explain below. But the question is: Was that wealth channeled into the productive economy? Or was it siphoned off instead as an income stream which was used to keep the speculative foreign debt bubble

FIGURE 1  
**Chile's Production of Consumer Goods**

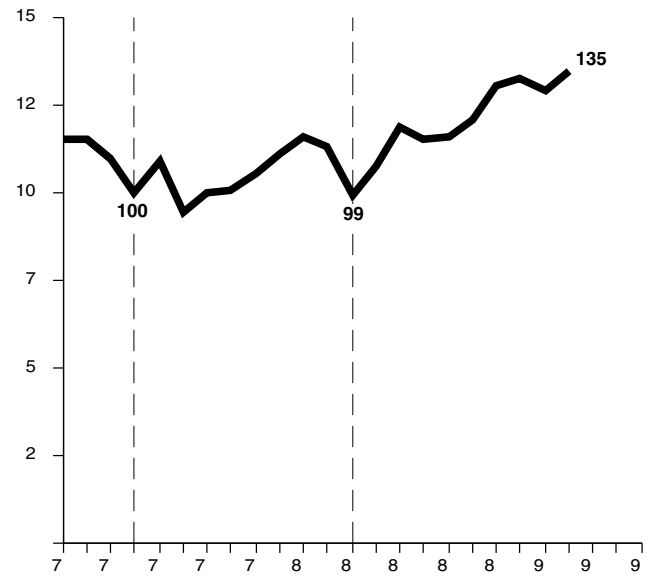
(Index 1973=100)



Sources: ECLA, Central Bank of Chile.

FIGURE 2  
**Production of Producer Goods**

(Index 1973=100)



Sources: ECLA, Central Bank of Chile.

intact and growing? If it went to the productive economy, as the apologists claim, then that ought to show up in a significant growth of the country's physical economic parameters over the past 20 years. But if it went, rather, to feed the debt cancer, the physical economy will have stagnated and collapsed.

To get to the heart of the matter, *EIR* took a fresh look at Chile from the standpoint of the science of *physical economy* as developed by *EIR* founder Lyndon LaRouche. We studied the performance of Chile's physical economy over the past two decades, as measured in per-capita, per-household, and per-square-kilometer *physical units* (tons, megawatt-hours, and so forth). We compared this to the performance of other Ibero-American physical economies during this same time period. And we then looked at Chile's physical economic trends in juxtaposition to the growth of the country's foreign debt bubble over the past 20 years.

The results blow apart every myth that the British have propagated about Chile.

**Figure 1** looks at the production of a market basket of basic consumer goods in Chile, as measured principally in per-capita terms. Note that this is *not* an index of consumption—that would have to take imports and exports into consideration as well—but rather of the Chilean economy's ability to produce its own consumer goods. Although the items included in the index (grain, meat, milk, pulses, fruits and vegetables, autos, and television sets) are by no means com-

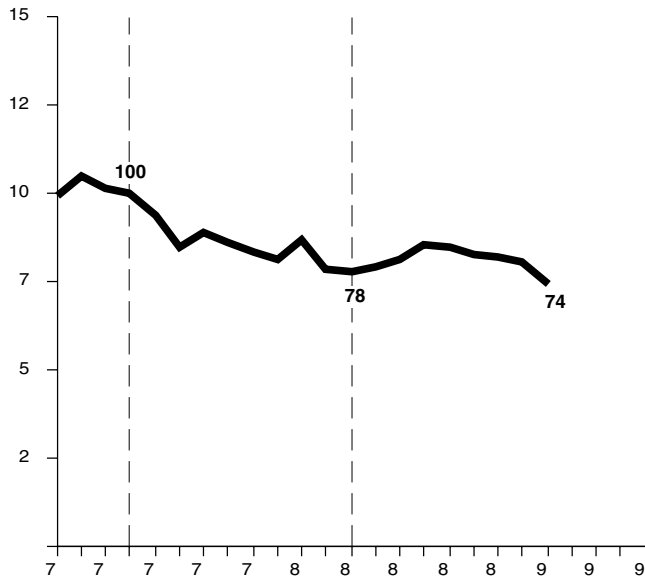
prehensive, and will be expanded for future studies, they are nonetheless sufficient to indicate the trend and the magnitude of changes involved overall.

As the figure shows, Chile's production of consumer goods was already skidding downhill under Allende from 1970-73, and then it plummeted another 13% (from an index of 100 to 87) in the first nine years of the "Chicago Boys" reign. Although there has been a marginal recovery since 1982, the level in 1992 was still 6% below what it was in 1973. In other words, Chile's physical economy is even *less* capable today of producing its own population's consumption needs, than it was when the "Chicago Boys" took over 22 years ago. Within this category, the production of food items performed relatively better than that of manufactured consumer goods.

**Figure 2** shows an index of per-household production of a market basket of nine producer goods, which fared only marginally better than the consumer goods. After a decade of stagnation, the index rose to a level of merely 135 in 1991 (more recent data were not available for most categories). If we look back over the period since 1973, this averages out to a growth rate of less than 1.7% per year. Although this is certainly better than a decline, such a growth rate is pathetic when compared to actually successful cases of economic development, such as South Korea or Japan, which often display real growth rates of upwards of 10% per year in such cate-

FIGURE 3  
**Production of Infrastructure**

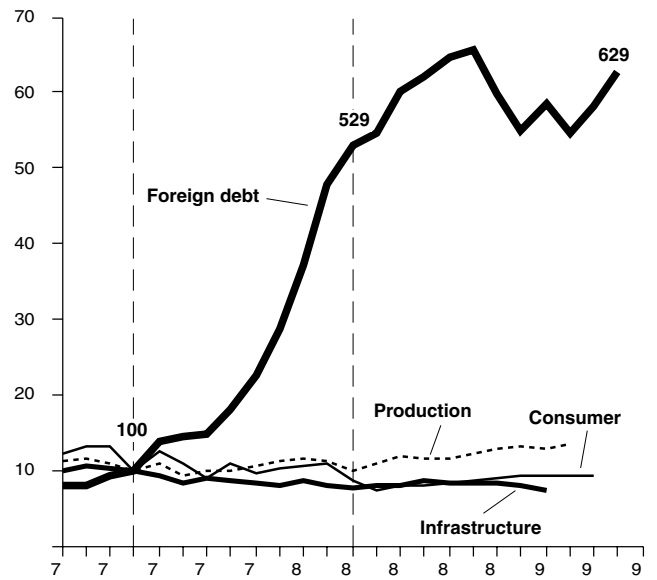
(Index 1973=100)



Sources: ECLA, Central Bank of Chile.

FIGURE 4  
**Debt vs. Physical Economy**

(Indices 1973=100)



Sources: World Bank, ECLA, Central Bank of Chile.

gories.

It should further be noted that the category of producer goods includes both manufactured items as well as mining output and other raw materials production. When you look at the fine print, it turns out that the manufacturing component grew far more slowly than the average; in other words, most of Chile's post-1982 growth in producer goods comes from raw materials such as copper. Copper output per household grew by 79% between 1973 and 1993, which comes out to an average annual rate of 3%, nearly twice as fast as the producer goods category as a whole. The production of copper, like that of other raw materials, was geared for export rather than domestic consumption. We will discuss this pattern in more detail below, but what it points to is the fact that the few areas in which Chile's physical economy *has* grown over the last 20 years, are principally those that benefit exportation in order to service the foreign debt, and not the kind of industrial production that develops the internal economy.

**Figure 3** shows the behavior of our index of production of infrastructural goods. This includes both "hard infrastructure" items, such as freight shipments by railroad and installed electrical capacity per household, as well as "soft infrastructure" indicators including the number of hospital beds and school enrollment figures per capita. It is here that we see the most far-reaching impact of Chile's Conservative Revolution-style cutbacks in government spending, since infrastructure tends to depend more heavily on the direct role of the

State than either the producer or consumer goods categories. As the graph shows, infrastructure was devastated in the first decade of "Chicago Boys" wrecking, and it continued to decay in the second decade. Over the 20-year period, Chile lost more than a quarter of its infrastructure capability.

This is a physical economic catastrophe. Infrastructure development plays a crucial role in a viable economy by improving overall labor productivity. A 26% collapse of infrastructure thus implies dramatically decreased efficiency and rising social costs of production in all areas of the economy. This may not have fully expressed itself yet "downstream" in the actual production indices as such, but it will sooner or later, at which point a nonlinear collapse is to be expected across the board. This disinvestment in infrastructure—which is one of the hallmarks of neo-conservative insanity worldwide—is a time bomb waiting to explode. . . .

### The Science of 'Onconomy'

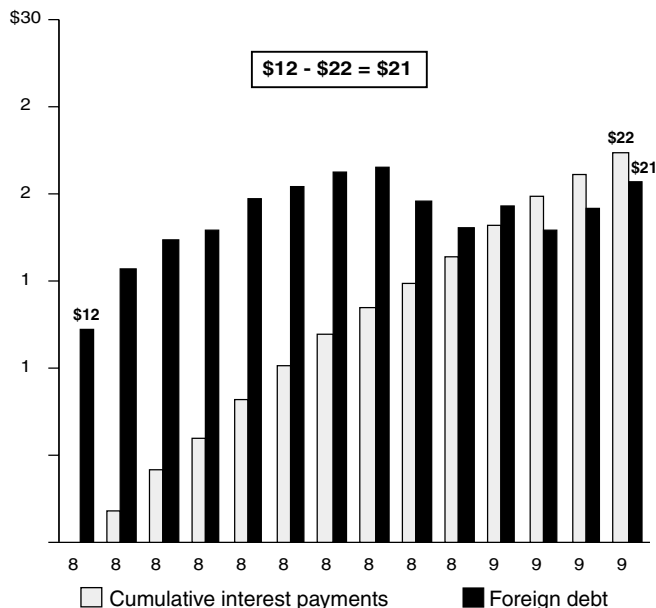
What the City of London and Wall Street are actually talking about, is the geometric growth of Chile's cancerous foreign debt, from 1973 to the present. For, while the country's physical economy was decaying for 20 years, a gigantic speculative foreign debt bubble was built up by the "Chicago Boys" and their international sponsors. From a mere \$3 billion in 1973, it edged upwards for a few years, and then in 1977 it took off like a rocket. Within three years it had more than doubled, from \$6 to \$12 billion, and by 1982 it had gone past the \$17 billion mark. As **Figure 4** shows, there has been a



FIGURE 5

### Foreign Debt and Cumulative Interest Payments

(Billions \$)

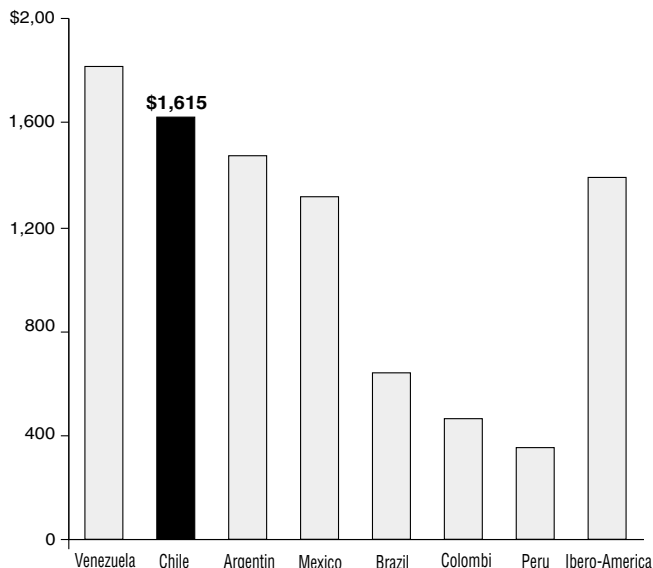


Source: World Bank.

FIGURE 6

### Cumulative Interest Payments, 1981-93

(Dollars per Capita)



Source: World Bank.

more than sixfold increase of Chile’s foreign debt over the last two decades.

When cancerous financial processes dominate a country’s physical economy in this fashion, one is tempted to call on the services of an oncologist, rather than an economist, to deal with the problem. Or perhaps it would be appropriate to establish a new discipline called “onconomy,” whose assigned task would be the treatment of cancer-like economic disease brought on by the grim application of the neo-liberal policies of the “Chicago Boys.”

What any competent “onconomist” would detect, in examining the Chilean economy, is that the cancerous debt grew spectacularly, and was serviced abundantly over this period. As **Figure 5** shows, in 1980 the foreign debt was \$12 billion, and over the next 13 years a total of \$22 billion was paid by Chile as cumulative interest payments on that debt. Yet, despite the fact that nearly double the amount initially owed was paid over that period, by 1993 the foreign debt had *risen* from \$12 billion to \$21 billion. In other words,  $12 - 21 = 22$ , it would appear. That is what “onconomists” call “bankers’ arithmetic.”

Such systematic servicing of its foreign debt at the expense of the physical economy, has actually placed Chile at the head of the pack of Ibero-American nations in its per-capita interest payments (see **Figure 6**), with a cumulative total of \$1,615 paid between 1981 and 1993. Only oil-rich

Venezuela has paid more than that, in relative terms.

The way Chile was able to do this is that, especially from 1982 onwards, the entire economy was streamlined to drastically curtail domestic consumption, and instead channel an ever-larger share of national production into exports, in order to earn dollars with which to pay the debt. In the immediate aftermath of the 1982 crash, output shrank by 15%; unemployment went as high as 30%; the currency was drastically devalued, and so forth.

This national belt-tightening—which bankers euphemistically refer to as a “high savings rate,” an achievement which they now propose to spread from Chile to the rest of Ibero-America and other debtor nations—was accomplished by sharp cutbacks in government spending (it fell from 33% to 23% of GNP from 1985 to 1989); by privatizing most state sector companies; by layoffs of workers, and major real wage reductions of those fortunate enough to hold on to a job; and, very significantly, by seizing the national pension fund worth about \$22 billion, and putting it in the hands of 18 private investment companies, which have used it to prop up the debt bubble. . . .

Thus, Chile today maintains the classical colonial profile of being a raw materials exporter, to London and Wall Street’s greater glory, while its own physical economy careens toward a breakdown.

That is the grim reality behind the so-called Chilean economic miracle.

# Ryan-Sununu Bill: Case Study of Looting Plans

by Richard Freeman

“If you asked the Chilean people, they would say that Social Security privatization is the best thing that the Pinochet dictatorship ever did.” Asked if this was his own view, the individual said, “Yes, there are real criticisms of the Pinochet dictatorship. That [privatization] is the best thing it ever did; it was a huge boon for the Chilean economy.”

The speaker is Tom Giovanetti, president of the Dallas, Texas-based Institute for Policy Innovation (IPI), in a discussion on Dec. 13.

The Wall Street and City of London banks’ push for privatization, under the direction of “Economic Hit Man” George Shultz—one of the original authors of the 1973 Pinochet coup—is now in the phase of legislative proposals, one of which Republican leaders intend to ram through Congress as quickly as possible at the beginning of 2005. The insane President George Bush has manically promoted this, his most recent and unbalanced appearance being at the panels of the Dec. 15-16 “White House Economic Summit.”

Emerging as one of Wall Street’s preferred pieces of legislation for privatization, is the so-called “Social Security Personal Savings and Prosperity Act of 2004,” (HR 4851), sponsored by Rep. Paul Ryan (R-Wisc.) and Senator John Sununu (R-N.H.), and known, therefore, as the Ryan-Sununu bill. Among the 18 or so privatization bills, this one seeks to siphon off the greatest amount of money to Wall Street, and in its general features, is broadly representative of most of the other bills, being simply more extreme. This Ryan-Sununu bill was written, directly, by Tom Giovanetti’s IPI, and deliberately modelled by Giovanetti, his staff, and his controllers on Pinochet’s Chilean privatization model.

The bill, like others in the same pipeline, represents the need to shift trillions of dollars of Social Security’s money into the speculative markets of a dying financial system. Speaking on WKVO radio station in Columbus, Ohio on Dec. 16, Lyndon LaRouche noted that “what [the bankers] need the Social Security funds for now, is to try to put a stimulus into the financial market, just to build up the market, the financial market: Because they know that very soon, there is going to be a real avalanche that’s going to hit the U.S. financial market. That’s inevitable. They want to steal Social Security—they’re going to steal *all of it*; not some of it. What they’re talking about is the shoe in the front door, but they intend to put the whole foot in.”

This will leave millions of Americans with nothing; many will die of privation. To implement this program, requires a fascist dictatorship on a scale greater than Pinochet’s; no wonder they openly speak of George Shultz’s favorite “Chile model.”

## 80% of Payments To Go to Stock Market

The Ryan-Sununu bill has three major provisions. Its sponsors seek to package the bill in “anti-austerity” verbiage, in order to con some wayward Democratic and moderate Republican support. Indeed, it will carry out harsher benefit cuts, despite its denial, than privatization plans that specify large cuts up front. Further, its economic assumptions are more psychotic than an LSD trip.

Let’s examine the first of the provisions of the Ryan-Sununu plan, the one it shares in some form with all the others. Its key objective is to siphon off Social Security tax payments that would normally go into the Social Security Trust Fund, into individual accounts instead, to be invested in the bubble-ized stock market instead, and secondarily, the corporate bond market.



Rep. Paul Ryan

Under the current, successful Social Security system, each worker contributes 6.2% of the first \$8,900 of his or her wages (payroll), to the Social Security Trust Fund; his employer contributes the same amount; the total equals 12.4% of the worker’s salary. When the Social Security Trust Fund maintains a surplus, which it is doing and will do for the next few decades, it invests this money, by law, into reliable, risk-free U.S. Treasury securities, which pay a dependable, but moderate rate of return. In fact, under the traditional system, the retiree’s benefit increases each year by a rate greater than the inflation rate, so that the retired worker is getting a real benefit increase each year.

By law, the Social Security Trust Fund cannot invest in stocks or corporate bonds, because of the high risk involved: stocks can go up, but they can also crash.

The ideological gaggle of privatizing think-tanks, financial institutions, and lawmakers plan to gouge the American people’s Social Security contributions—the largest cash flow in the world—directly from the workers’ living standards. The Ryan-Sununu sponsors say their legislation will make joining the new system voluntary. But by relentlessly bombarding workers with lies—such as that the traditional system will go bankrupt imminently; that by staying in the traditional system, workers will lose benefits; that by going into the new system, workers can magically earn triple what they would

earn in the traditional system—workers are to be stampeded into the new system, just as they were in Chile. The Ryan-Sununu backers say that it would not be mandatory, as with other proposals, for young workers to join the new plan; but that can be changed once the new system is in operation.

A Dec. 1, 2003 press release from IPI disclosed that under the proposed legislation, there would be “a dramatic increase to an average of 6.4 percentage points of the payroll [Social Security] tax to be moved into personal accounts.” That is a diversion of payments that would represent 52% of the 12.4% Social Security tax normally paid by workers and employers combined; what is normally paid into the Social Security system now would go into Individual Accounts (IAs) managed by Wall Street firms, and for which the firms would collect a fee in the range of 10-25% of the value of the account. The IPI says that it will tell young workers to invest 80% or more of their new accounts in stocks—to “make more money.”

Thus, trillions, and eventually tens of trillions, of dollars would be diverted into the stock and other market accounts, and simultaneously, would prop up the dollar and the dollar-based system, by covering the United States’ bulging current account deficit, which foreign investors are becoming increasingly unwilling to do.

## Lies and Fantasies

The problem this grand theft creates is obvious and enormous. The current traditional Social Security system works as follows: Each employed worker contributes to the retirement benefits of those who are retired; when this contributing worker retires, the next generation of the labor force contributes to his or her retirement benefit. However, because the Ryan-Sununu bill would pull half the tax payments that would normally go to the traditional Social Security system, out of that system, this would create a gaping hole. Very soon, were such a bill to become law, the traditional system would be able to pay merely half the level of benefits.

At this point, the banker supporters of this plan claim that they “break new ground”: They claim that they will not institute austerity. Whereas some plans would cut existing Social Security benefit levels by 15-45% over the coming decades, “this plan won’t,” they say. They claim that they have an alternative way to deal with the problem they are planning to create. As former Congressman Jack Kemp argued in a Dec. 9 column, were the Ryan-Sununu sponsors to say that they will cut benefits, they would get few, if any,



Sen. John Sununu

Democratic supporters for their bill, and it would never be adopted by Congress. Therefore, Kemp advised, don’t admit benefit cuts. This is pure, mendacious calculation. Kemp calls for using the same quackery that he used to pass the 1981 Kemp-Roth tax cuts, as part of the larger “supply-side” tax cuts of Ronald Reagan’s Administration—which, over the period 1981-93, overlapping the single term of President George H.W. Bush, created more U.S. debt outstanding, than had been created during the previous 185 years of American history.

The Ryan-Sununu second prong is a fiscal austerity demand on the whole Federal budget, placed in a bill purporting to “reform” Social Security alone. The bill specifies an *annual* 1.5% cut in the Federal budget, according to a July 2004 IPI policy report by Lawrence Hunter. The IPI dismisses this cut as hardly harmful, though its effects will be significant. There will be much deeper additional austerity.

Part three of Ryan-Sununu would plunge the United States into huge new Federal debt. It calls for issuing up to \$5 trillion or more of U.S. government bonds, which IPI’s Giovanetti says will be like special issues of 30-year “war bonds”—war on Social Security?—*for which the U.S. government will be fully responsible*. Giovanetti stated on Dec. 8 that the sponsors of the legislation would issue these bonds to “honestly face the liabilities,” though the shenanigans they are trying to pull on this front show anything but honesty.

But to fully understand these latter two prongs, one must examine a piece of insanity central to the bill.

## Martin Feldstein’s Psychosis

In January 1996, former Council of Economics Advisers chairman Martin Feldstein delivered a paper which has become the touchstone for not only the Ryan-Sununu bill, but also the closely allied Cato Institute bill (sponsored by Rep. Sam Johnson (R-Tex.) and known as HR 4895), and several others.<sup>1</sup> In this paper, Feldstein, who is a property of Anglo-American banking circles—his higher degrees were at Oxford University, and he is a member of JP Morgan Chase Bank’s advisory council—proclaims his faith in the near-miraculous power of “compound interest.” This power, he professes with the fervor of a religious fundamentalist.

Feldstein advances a stock-market-led recovery—put money into the stock market, and the economy will grow. Feldstein states that between 1960 and 1995, the real pre-tax return on non-financial capital was 9.3%. Therefore, if under privatization, workers’ individual accounts were put into stocks, they would earn up to a 9.3% compounded return on investment per year. That would produce hundreds of thousands of dollars for workers’ IA accounts with which they

1. “Privatizing Social Security: The \$10 Trillion Opportunity,” delivered at the American Economics Association meeting of January 1996. Available in shortened form at [www.cato.org/pubs/ssps/ssp7.html](http://www.cato.org/pubs/ssps/ssp7.html).

could retire. The 9.3% rate is too much psychosis even for the supporters of Ryan-Sununu to swallow. They say the compounded rate of return on IA accounts will be 4.6%. The point is simply to take a number and compound it, ivory tower-style—let reality be damned!

There are two overriding problems with Feldstein's approach, and that of his acolyte. First, stock market speculation will not build growth, it will intensify the takedown of America as a producer economy. Second, there is the matter of reality. A 4.6% compounded rate would produce a 25% return over five years. But according to Standard & Poors, during the most recent five years ending December 2004, the stock market's real rate of return has been sharply negative. And during the approaching period, the collapse of the financial system will cause catastrophic drops.

However, on the surface, everything in the Ryan-Sununu bill, and sister bills, depends on the Feldstein "compound interest." The Ryan-Sununu bill is explicitly premised on the fact that allegedly, the worker will earn so much in his or her IA through investment in stocks, that his benefits under the old traditional Social Security system can be cut, by up to 100%, with no problem! Through the new system, the worker will be rolling in dough, *so the old traditional benefits won't really have to be paid.*

Likewise, the new stock market speculation will produce so much growth, that this will increase tax revenues, and the \$5-10 trillion in new bonds that the U.S. Treasury will issue, to cover the cost of moving to a new privatized system, "will be easily paid off."

Of course, the sponsors of the new legislation are trying to carry out some new and completely unprecedented trickery, by having the new \$5-10-trillion bond issuance they propose, placed "off-budget," so that the new debt won't have to be officially reported. This is lying at the highest degree.

However, some of the ruthless financiers who stand behind the Ryan-Sununu and similar bills, don't really believe the "compound interest" garbage. They simply want to get their hands on the money as quickly as possible, using whatever excuse is necessary. When the compounded interest doesn't materialize, they will simply fiercely cut benefits—as was done in Pinochet's Chile, and as was done in Hitler's Germany. That is why they openly demand the "Chilean model."

WEEKLY INTERNET  
AUDIO TALK SHOW

## The LaRouche Show

EVERY SATURDAY

3:00-4:00 p.m. Eastern Time

<http://www.larouchepub.com/radio>

# Social Security As FDR Defined It

by L. Wolfe

*This is adapted from New Federalist newspaper, Dec. 20, 2004.*

When President Franklin D. Roosevelt signed the Social Security Act into law on Aug. 14, 1935, only a relative handful of citizens were covered by private pension funds. If you weren't wealthy, or didn't have an extended family with means, there was no place that you or your family could turn to if you were in economic distress, except charity. Most Americans faced a future full of economic hardship and uncertainty, and a "poverty-ridden old age," to use FDR's apt description.



Franklin D. Roosevelt

Today, thanks to FDR's commitment to the principle of the General Welfare, one in six Americans—nearly 46 million people—receive a Social Security benefit. Social Security is more than a monthly check at retirement age. Nearly one in three beneficiaries are not retirees; such people receive disability benefits, including benefits for the blind. In addition, the Social Security Administration dispenses to the state, monies to cover unemployment benefits, while also administering funding for the Medicare and Medicaid programs.

Since the 1970s, the Social Security Administration has administered Supplemental Security Income (SSI)—the Federal component of what is commonly called welfare. More than 6.5 million people are still covered by these programs, despite efforts by the type of people who are now pushing President Bush's privatization looting schemes to reduce or eliminate such commitments. Of the more than 6.5 million SSI recipients, 31% are aged, 56% disabled, and 31% disabled children, according to the Social Security Administration.

And, it is still the case that Social Security represents the only source of retirement pension income for the vast majority of Americans.

In 2002, more than \$453 billion was spent on Social Security benefits, and another nearly \$38 billion on SSI benefits. This total amounts to approximately 5% of the total Gross Domestic Product of the United States.

## How the Program Works

In crafting the proposal, FDR and his team, headed by Labor Secretary Frances Perkins, designed the funding to make explicit his concept of the program's expression of the General Welfare principle. Rather than have a portion of the employee's paycheck set aside, to pay for future benefits of that employee and that employee alone, the tax on the paycheck would be appropriated into a "trust fund" that would finance the entire program without additional expense from the general budget; the employee's contribution was to be matched by an equal contribution from the employer. And most important, the control of these trust funds was to be in the hands of the federal government and the federal government only.

At the time, this tax was highly controversial and the subject of attack by various financial and business groups. Roosevelt countered that this was "fair," since the employer's well-being and wealth had been created by the labor of his employee; such employers now had an obligation to help provide for the economic security of those who created their wealth.

Taxation levels were to be set high enough to assure that funds were available not merely to pay for those contributing, but to cover those who would become eligible, although they had not made any payments because the program either didn't exist yet or, because they might come to this country as immigrants. They were also set at levels that would assure that monies would be sufficient to cover current benefit payouts and the costs of the administration of the program, while also creating a surplus. In that way, the current generations were paying for their grandparents' and parents' generations, as well as for their children, and their children's children.

Whatever else the Bush privatization looting scheme does, it smashes this transfinite sense of responsibility for past and future generations' General Welfare, appealing to the more limited and selfish sense of one's relationship to immediate family—for "me and mine."

FDR educated citizens that their survivability and the survivability of the nation were bound as one; that each American was responsible for the welfare of all Americans, and that *their government had a sacred duty to act to mediate this shared responsibility and trust.*

## It Really Does Work!

Despite the Bush people's claims to the contrary, Social Security has worked remarkably well. Overall, it has collected more than \$4.5 trillion and paid out over the years more than \$4 trillion, which means it should have a surplus, even now. This is even more astounding considering that, in general, Social Security pays out far more money to a beneficiary than the beneficiary and his or her employers contribute, as well as since 1950, paying Cost of Living Adjustments based on calculations of the impact of inflation. This has been accomplished by tweaking the tax rate, raising it when necessary.

As various studies have pointed out, Bush is lying when he says that the system won't be able to cover its payouts in the middle of the next decade. But there is a problem, coming some years down the line, perhaps 35 to 50 or more years from now, *if there are no changes made during that time.*

That problem is caused by a number of factors, none of which is corrected by the Bush looting scheme. First, and most important, the post industrial paradigm shift, which has brought the world economy and financial system to the brink of total collapse, has created a much larger number of so-called "self-employed" workers—workers whose employers are not required to make contributions. This has reduced the total contribution for such jobs by 50%. In addition, the growth of the "underground economy," where no contributions are made by anyone, has also reduced current income streams. Further, we have had the "raiding" of the Trust Fund, starting in the 1980s, by several Administrations of both parties, reducing the available surplus. Although there is a promise to pay such funds back, it remains unclear both how and when this might take place.

Meanwhile, the U.S. population is rising faster than in the recent past, shattering some estimates about the numbers of people to be covered in the future.

In the past, projected fund shortages could be "fixed" relatively easily by adjusting the tax rate higher. Even today, its tax rate (6.2%) is lower than rates in the 1970s. However, merely tweaking the tax rate would not be sufficient to guarantee the program far down the line, given the structural problems created by the above cited post-industrial shift. Instead, those problems must be addressed as the world's leading physical economist Lyndon LaRouche has proposed—with a thorough reversal of the post-industrial program and a return to the principles embodied in FDR's New Deal.

Above all, we must defeat the Bush assault on those principles through his privatization scheme. FDR had warned that some people might try to "monkey" with these funds. For that reason he demanded that they must remain under the full control of the Federal government." In his Message to Congress, Jan. 17, 1935, Roosevelt warned, ". . . [S]ound financial management of the funds and the reserves, and the protection of the credit structure of the nation should be assured by retaining federal control over all funds through the trustees in the Treasury of the United States." According to his Labor Secretary, Francis Perkins, FDR feared that, Wall Street "Tories," seeing the growing size of the fund, would find a way to insert themselves into the process, to loot it.

It were well that we heeded Roosevelt's wise counsel.

**To reach us on the Web:  
[www.larouchepub.com](http://www.larouchepub.com)**

## Shultz and the ‘Hit Men’ Destroyed the Philippines

by Mike Billington

**Editor’s Note:** *This is the third in a series of features on the assault against the Third World by the “Economic Hit Men.” We examine here first the case of the Philippines, and then Mexico.*

The U.S.-orchestrated coup which overthrew the government of Philippines’ President Ferdinand Marcos in 1986 was a classic case study of what John Perkins describes in his recent book, *Confessions of an Economic Hit Man*, as the post-World War II preferred method of imposing colonial control under another name. In the Philippines case, George Shultz performed the roles of both the economic hit man, destroying and taking full control of the Philippine economy, and the coup-master, deposing the Philippine President in favor of an IMF puppet—while calling the operation “people’s power.”

Throughout this process, from the late 1970s through the February 1986 coup, and beyond, Lyndon LaRouche and his collaborators were fully engaged in the fight to expose and reverse this subversion and destruction of one of America’s most important allies, by the supranational financial institutions which Shultz and his ilk represent. By mobilizing support from patriots of both the United States and the Philippines, the LaRouche effort put a spotlight on the crimes of the Shultz cabal, as will be shown below. Although the effort failed to stop the process at that time, the crimes thus exposed in the Philippines can and must serve today as a nemesis to Shultz and his neo-conservative operatives, who are in an endgame in their effort to impose a new fascist order over the planet.

In a Nov. 16 interview on radio station DZAR in Manila, LaRouche described his own view of the special mission of the Philippines nation: “The Philippines has a very important pivotal role, some people would say geopolitically, in the

entire region, of trying to bring together on a global scale *for the first time*, a world system, which is capable of accommodating *both* the European cultural heritage and Asian cultures. This is the great barrier, the *great frontier*, of a hopeful future for this planet: to bring together the cultures of Asia—which are different than those of Western Europe generally—with European culture, to get a *global culture* based on a system of sovereign nation-states, which understands that this unresolved cultural question has to be addressed, with a long-term view, of several generations, of creating an integrated set of sovereign nation-states as the system of the planet. So the Philippines is a very special country, with a unique importance for the people of Asia, in particular, in playing a key role in bringing about this kind of general integration of Asian and European civilizations.”

The lesson of the subversion of the Philippines in the 1980s for today is clear. Shultz is the *eminence gris* behind the neo-conservatives running the Bush Administration, which has brought the world to the current disastrous circumstance. It is also the case that the Philippines, although currently lacking any national leadership comparable to that of Marcos, is nonetheless facing a new coup threat, orchestrated by the same neo-conservative circles in Washington who were responsible for the 1986 coup.

The popular memory of Ferdinand Marcos today, in the U.S. and in the Philippines, is largely shaped by the massive disinformation campaign created in the early 1980s by the circles around then-Secretary of State Shultz, and his deputy Paul Wolfowitz. Marcos was accused of corruption, human rights violations, plunder, and even the murder of a political opponent, Benigno Aquino—and this caricature is repeated *ad nauseam* still today. While Marcos was not without faults, he was by far the last Filipino head of state to have understood



*In the early 1980s, the circles around then-Secretary of State George Shultz (left) and his deputy Paul Wolfowitz (right), led a massive propaganda campaign against President Ferdinand Marcos. “His overthrow by the Shultz cabal had nothing to do with the charges issued publicly, but were intended to stop his national development policies, and his international collaboration with LaRouche and others in countering the genocidal policies of the IMF, and bringing into being a new world economic system based on development and justice.”*

the challenge of true leadership in a world slipping towards chaos. His overthrow by the Shultz cabal had nothing to do with the charges issued publicly, but were intended to stop his national development policies, and his international collaboration with LaRouche and others in countering the genocidal policies of the IMF, and bringing into being a new world economic system based on development and justice.

### **Marcos’s True Legacy**

Marcos was elected President in 1965, just as the United States launched the disastrous and futile war in Indochina. The fact that the United States used its bases in the Philippines, Subic Bay and Clark Airfield in Luzon, as launching pads for the Indochina War, fed a domestic insurgency by the Maoist New People’s Army (NPA). Marcos was then treated as a close friend and ally of the United States. Even when he declared martial law in 1972, with the Indochina War still raging, the Administration of President Richard Nixon raised no objections.

But Marcos was not only concerned about “counterinsurgency” in declaring martial law. When he was elected President in 1965, the Philippines was still essentially a colonial economy, although the United States had granted full independence on July 4, 1946, as had been promised by President Franklin Roosevelt in 1934. Productivity was low in both agriculture and industry: agriculture lagged as the Philippines

relied on special access to U.S. food exports, and industry was confined to process industries, rather than the development of basic industries.

Marcos set out immediately to establish Philippine food self-sufficiency in rice and corn. This also required breaking the control of the landed aristocracy left over from the Spanish imperial era. Marcos was the first President of the Philippines who did not rise from this elite class, but was a “commoner” trained as a lawyer.

As President, he focussed on basic agricultural infrastructure, especially irrigation, in the major food-producing regions of Luzon and Mindanao. Credit facilities, mechanization, and the introduction of high-yield rice varieties, which needed irrigation, resulted in the elimination of rice imports by 1968.

Land reform, primarily a political problem, remained illusive. However, when Marcos imposed martial law in 1972, among his first acts was a proclamation that the entire nation was to be considered a “land reform area,” and a declaration that all tenants working land devoted primarily to rice and corn were to be the owners of that land, up to a specified limit. Despite the enraged opposition of the oligarchy, the program proved to be extraordinarily successful. Coupled with the infrastructure and mechanization improvements, a quarter of a million peasants became land owners, and grain productivity increased by half.



*Marcos built the first (and so far, only) nuclear power plant in Southeast Asia, and in 1979 announced a plan for 11 major industrial projects, with the intention of shifting the nation's industrial economy from consumer goods to basic heavy industry. The IMF attacked these projects as unrealistic, demanding debt payment instead.*

Another major step after the declaration of martial law was to contract with Westinghouse for the Bataan Nuclear Power Plant—which was to be the first (and would still be the only) commercial nuclear power plant in Southeast Asia. While nuclear power is clearly the only sane solution to the energy requirements across the region, the sad saga of the Bataan Nuclear Plant symbolizes the pure evil of the policies enforced by the “economic hit men.” As originally contracted, the plant should have cost about \$1 billion, and produced 1,200 MW of electricity by 1984. However, after the hysteria generated by the anti-nuclear “Nuclear Club of Wall Street” (see *EIR*, Dec. 3, 2004) following the 1979 accident at the Three Mile Island Nuclear Plant in Pennsylvania, the Carter Administration imposed retroactive safety regulations which contributed to more than doubling the cost of construction. Then, after the overthrow of Marcos in 1986, one of the first acts of the new Presidency of Corazon Aquino was to mothball the fully completed, but never used, Bataan Nuclear Plant. The Philippines has been forced to pay countless billions in debt service, and pays still today over \$155,000 per day, for this nuclear facility, without having drawn one watt of electricity from the state-of-the-art facility. Two further nuclear power facilities which were planned to provide 1,880 MW of electricity by 1991, were also scrapped.

Nuclear energy was not the only innovation of the Marcos regime. In 1979 Marcos announced a plan for 11 major industrial projects, with the intention of shifting the focus of the

nation's industrial economy from consumer goods to basic heavy industry. Included in the plan were steel, petro-chemical, pulp and paper, a copper smelter, aluminum, phosphate fertilizer, diesel engines, gas and oil, a coconut industry, and the nuclear power program.

The Marcos Administration, during the 1972-81 martial law period, tripled the country's road network, doubled the electrification of the country's homes, increased irrigated cropland eight-fold, and achieved rice and corn self-sufficiency.

Minimum daily wage rates tripled, although inflation, driven by international oil price hikes and exploding U.S. interest rates, more than wiped out these wage increases.

## **Enter the Economic Hit Men**

This level of development—especially the capacity to free the nation from dependence on the international oil and raw materials cartels—was not to be tolerated by the international financial institutions. The contrived oil shortages of the 1970s left the Philippines, like all non-oil-producing nations, with huge debts. This was followed by the 20%-plus interest rates imposed by U.S. Federal Reserve Board Chairman Paul Volcker in 1979, which doubled and tripled the debts of most Third World nations within a few years.

In 1981, Marcos lifted martial law. Also in that year, he attended the North-South Summit in Cancun, Mexico, organized by Mexican President José López Portillo (see accompanying article) where he spoke out for a “new world economic order,” and denounced the destructive “conditionalities” imposed by the IMF in exchange for financial assistance in a crisis. Then, in September 1981, Marcos pushed through the Philippine Congress nearly \$4 billion worth of priority infrastructure projects, including irrigation, drainage and flood control programs, highways, telecommunications, and airports.

This was answered in 1982 (the year George Shultz became Secretary of State) by an IMF report which attacked Marcos's projects, demanding debt payment instead: “In the Philippines situation, restraint on public investment could be an effective instrument for securing an improvement in the current account deficit.” IMF Director Jacques Delarosière lectured that the country had set “unrealistic growth targets,” while the World Bank denounced the Marcos government for supporting national industries.

These “softening up” raids were not adequate to control the Marcos government. Shultz visited Manila in the Summer of 1983, overseeing another 20% devaluation of the Philippine peso, thus further increasing the costs of financing the already-illegitimate foreign debt.

The full-scale assault began in the Fall of 1983, with the murder of Benigno Aquino. Aquino, an opposition leader whom Marcos had allowed to leave prison in order to get medical treatment in the United States (despite facing a death sentence for murder and subversion), chose to return to the





*When Marcos was elected President in 1965, the Philippines still had a colonial economy. He moved to establish food self-sufficiency, which brought him into conflict with the landed aristocracy left over from the Spanish imperial era. "Marcos was the first President of the Philippines who did not rise from this elite class, but was a 'commoner' trained as a lawyer." Here, a shantytown in Manila.*

Philippines in August 1983 after three years in the United States. He was gunned down as he emerged from his plane in Manila.

Although the actual conspirators were never officially discovered, the assassination was immediately blamed on Marcos, and the economic hit men called in the "jackals" (as Perkins called those whose job was to depose or even kill world leaders who resisted the demands of the economic hit

men like himself). In the Philippines, Shultz and Wolfowitz doubled as economic hit men and jackals.

As to Aquino's view of the pending threat to his life, he had been asked by the U.S. magazine *Mother Jones* in January 1983, while contemplating his return to the Philippines: "What do you think Marcos will do?" Aquino replied: "He will keep me alive, because he knows the moment I die, I am a martyr, like Martin Luther King, and he wouldn't want that.

## Why Marcos Was a Target Of the Economic Hit Men

*President Ferdinand Marcos authored a book in 1983 entitled An Ideology for the Philippines. The following excerpt exemplifies why Marcos was a target of the Economic Hit Men:*

The Western philosophical tradition locates man's uniqueness in his rationality: It defines man as a rational animal. The idea of man does not necessarily lead to the philosophy of humanism, for the concept of rationality could be construed mechanistically: as a movement of thought that follows a set of inflexible principles. The Cartesian conception of reason is mechanistic in this sense. For it regards thinking as something that can be pursued only in one way:

beginning with clear and distinct notions, the mind moves forward, step by step, following only the dictates of logic. What Cartesianism overlooks is that element of creativity so essential to the concept of human rationality. The recognition of man's creativity, or that impulse to create new forms and new modes of coping with the demands of reality, has tremendous implications—not only for a philosophy of man but also for social policy and thus for ideology.

In a sense, we can regard the history of civilization as the history of human creativity. The so-called scientific revolutions represent man's disengagement from traditional modes of thinking. . . .

The humanistic thrust of our ideology precisely takes into account the fact that apart from being rational, in the Cartesian sense of the term, man has a gift of creativity that expresses itself not only in his art but also in his science and social institutions. This creativity is what makes man truly human. In fact, it seems more appropriate to define man *not* as a rational animal but as a creative being.

# EIR

Executive Intelligence Review  
August 15, 1985 • Vol. 12 No. 32

Brazinski-Shultz deal to sell out Europe  
The LaRouche perspective for Peru's economy  
Sharon allies arm Khmerist's hordes

Shultz torpedos American  
defense in the Philippines



*The Aug. 16, 1985 EIR reported that U.S. Ambassador Bosworth was plotting, with Acting Chief of Staff Lt.-Gen. Fidel Ramos, to overthrow Marcos. "The story was based on information from reliable sources both in the Philippines and in Washington, where certain patriotic layers within the government, intelligence, and the military did not accept America's transformation into an imperial power. . . ."*

Another possibility, he lets me out, and the communists knock me off. They blame Marcos. They have a martyr and they have eliminated a stumbling block." Aquino also understood the actual cause of the economic disaster striking the Philippines: "If you made me President of the Philippines today, my friend, in six months I would be smelling like horseshit. Because there is nothing I can do. I cannot provide employment. I cannot bring prices down."

Within two months of the assassination, the remaining credit lines to the Philippines were drastically cut, and another 21% devaluation was imposed. The nation was bankrupt. Finally, on Oct. 15, 1983, Marcos was allowed to declare a moratorium on the unpayable debt, but only on condition that the big projects he had backed to modernize the nation be scrapped, while many of the industries supported by the state were turned over to domestic and international vultures (this was done under the guise of accusing the owners of these industries of being corrupt "cronies" of Marcos).

The LaRouche movement, meanwhile, was sponsoring conferences in Bangkok, Thailand, one in October 1983, and

another in October 1984, on the subject of the proposal authored by Lyndon LaRouche for "Development of the Pacific and Indian Ocean Basins." Philippines Deputy Foreign Minister Pacifico Castro attended the 1984 Conference, speaking on "Regional Economic Cooperation and Security," joined by government and business leaders from across the region. The conferences proposed such "Great Projects" as the Kra Canal in Thailand, and the physical transformation of Asia, as the driving force behind a new world economic order.

## Jackals

The opponents of Marcos were soon being wined and dined in Washington, by both the right wing (Shultz and Wolfowitz) and the left wing (Rep. Stephen Solarz, Sen. Ted Kennedy, and Princeton's Richard Falk) of the "Project Democracy" apparatus, which performed the subversive tasks assigned by the synarchist banking institutions. Salvador Laurel, the son of the quisling President of the Philippines under the Japanese occupation, headed the opposition after Aquino's assassination, and in February 1984, visited Washington, where he was greeted by Vice President George H.W. Bush and Secretary of State Shultz. Representative Solarz introduced legislation into the Congress to abdicate the treaty regulating the U.S. bases in the Philippines, cutting the agreed aid to the Philippines by two-thirds. At the same time, a nest of anti-nuclear and anti-development NGOs in the United States took up the cause of overthrowing the "Marcos dictatorship," including a gathering of anti-nuclear forces in Manila, including Richard Falk and representatives of the West German Green Party. Stephen Bosworth, a close collaborator of Henry Kissinger, was appointed Ambassador to the Philippines, and from that position he would subsequently orchestrate the coup against Marcos.

By October 1984, the Philippines was forced to submit to an IMF refinancing package that included an end to price controls on rice and other staples, a float of the peso, unrestricted foreign exchange speculation, import reductions, domestic austerity, and yet another devaluation—making a total of a 63.3% devaluation in one year, nearly doubling the cost of financing the foreign debt. Ironically, the opposition, fully supported and sponsored by the IMF-related institutions, rallied support among the population by denouncing Marcos for "acceding to the oppressive conditions of the IMF."

Throughout 1985, President Ronald Reagan defended the American relationship with the Philippines and with President Marcos, despite the fact that Secretary of State Shultz and Deputy Secretary Wolfowitz openly disagreed with that assessment, instead demanding Marcos's head. The crisis came to a head in July 1984, when the U.S. Congress adopted the Solarz proposal to rip up the Bases Agreement, not only slashing the financial commitments, but insisting that the remaining aid be distributed not by the Philippine government, but by the Church, which, under Cardinal Jaime Sin, had



*Marcos in 1985 greeted Gen. Mercado Jarrin, (ret.), head of Peru's Institute of Geostrategic and Political Studies, who was part of an EIR/Schiller Institute delegation to discuss a partial moratorium on foreign debt. On Mercado's left is then-Philippine Foreign Minister Pacifico Castro, who had spoken at a LaRouche movement conference on "Development of the Pacific and Indian Ocean Basins" in 1984.*

openly called for insurrection against the government.

By November, the plans for insurrection were unveiled publicly, as the Washington-based Center for Strategic and International Studies (CSIS), the home of Henry Kissinger and Zbigniew Brezezinski, carried out a "war game" against the Philippines, based on a scenario in which President Marcos is assassinated, Soviet "spetsnaz" commandos join the New People's Army in taking over the Philippines, and the U.S. military goes into action to "save" the country.

The CSIS's work in Asia was largely financed at that time by the C.V. Starr insurance empire, run by Maurice "Hank" Greenberg. Greenberg and C.V. Starr owned most of the insurance industry in the Philippines, and a number of Philippine politicians as well, and served as the crucial "on the ground" economic hit man in the Marcos coup.

Marcos continued fighting for the principle of a new world economic order. In November 1985, *EIR* and the Schiller Institute, the international association directed by Lyndon and Helga LaRouche, invited Gen. Edgardo Mercado Jarrin (ret.), the head of Peru's Institute of Geostrategic and Political Studies, to tour Asia, promoting the partial moratorium on foreign debt then being implemented by the Peruvian government. In addition to conferences in Thailand and India, General Mercado Jarrin and the *EIR*/Schiller Institute delegation met with President Marcos in Manila. Marcos told the delegation:

"Third World Asian and South American countries should get together and push through the condonation of part of their loans. How can Third World countries pay their loans, amounting to \$900 billion?" Marcos estimated that the paying capacity could not exceed \$300 billion.

The Aug. 16 *EIR* published a story entitled "Plotting the Fall of an American Ally," which reported that U.S. Ambassador Bosworth was plotting a military coup against the Marcos government. The article reported: "Bosworth now meets up to two hours every day with Acting Chief of Staff Lt.-Gen. Fidel Ramos, a West Point graduate whom the United States is attempting to groom as a leader of a new civilian-military junta, despite his loyalty to President Marcos." The story was based on information from reliable sources both in the Philippines and in Washington, where certain patriotic layers within the government, intelligence, and the military did not accept America's transformation into an imperial power serving the synarchist financial interests.

The *EIR* exposée forced a public denial by General Ramos and by Ambassador Bosworth. As events proved, the warning was deadly accurate.

Marcos was finally coerced by Washington into calling new elections for February 1986, even though the Constitution mandated elections only in 1987. The opposition, in constant coordination with U.S. Ambassador Bosworth and the Shultz State Department, chose to run Aquino's widow, Corazon Aquino, as the Presidential candidate, with Laurel for Vice President.

As still seen today in such neo-con-controlled "people's power revolutions," such as in Georgia and Ukraine, U.S. intelligence agencies financed and controlled the "citizen" electoral monitor organization, the National Movement for a Free Election (Namfrel), and prepared to declare "vote fraud" if the election did not go the way intended. Paul Wolfowitz in November 1985 told the U.S. Congress that there would be a "complete collapse of political confidence" if the elections were not perceived as "fair"—i.e., if Marcos were not defeated.

Indeed, on election day, the opposition was ahead in the early returns from Manila—which was expected—and Aquino was instructed to declare herself the winner. However, when the rural votes came in, where Marcos was still loved for the development he had brought to the nation, Mar-



*Women and children working in a small, labor intensive UNICEF project to supplement their food supply in 1986, the year after Marcos became President. Instead of this type of project, where people labor like animals, Marcos opted for extensive industrialization and infrastructure projects. Instead of seeing too many people, as did the IMF apologists, he saw unrealized creative potential.*

cos overtook Aquino and won the election.

In an astonishing public admission, former U.S. Ambassador to the Philippines William Sullivan (who had also been Ambassador to Iran when the Shah was overthrown by similar means in 1979), told CBS News on Feb. 9, two days after the Philippines election: *“The facts as they emerge are becoming increasingly irrelevant, because it’s the perception that prevails both in the Philippines and, I think, internationally, that Mrs. Aquino won the election as far as the polling places were concerned, but the government, in the tabulation, changed the vote counts.”*

As *EIR* had warned, General Ramos then led a military revolt against President Marcos, calling for crowds to surround the military base in the center of Manila, to create an image of “people’s power,” while the masses of the population were disenfranchised by the overthrow of their elected President. By the end of February, President Reagan had been convinced by Shultz to give up his defense of President Marcos, and endorse the military coup; Marcos and his family were sent to Hawaii.

## **IMF Carnage**

The results of this subversion are still evident today in the decay of the economic and social fabric of the Philippines. Corazon Aquino fulfilled every IMF request, from the closure of the completed nuclear power facility to the deregulation and privatization of much of the economy. It was a surprise to some of Aquino’s supporters, but not to LaRouche, when the pro-IMF members of the Marcos Cabinet were retained in the new government. General Ramos took over directly in the next Presidential election in 1992, selling the nation to the Enrons of the West through corrupt, unequal contract agreements, especially in the energy sector, which left the country in absolute bankruptcy after the speculative assault on the

Asian economies in 1997-98. Joseph Estrada, another “commoner,” was elected President in 1998, but was allowed only two years in office before another “economic hit man”-orchestrated-coup (again with General Ramos doing the bidding for his foreign controllers) brought him down in January 2001.

The current President, Gloria Macapagal-Arroyo, has generally done what was demanded of her by the neo-conservatives in power in Washington. However, when she pulled the token Philippine military force out of Iraq, and then upgraded the country’s relations with China, she won the ire of her patrons, and is now facing the threat of yet another coup—with General Ramos again the neo-cons’ man on the scene.

LaRouche, together with his collaborators in the Philippines, intends to use this history of the economic hit men, in the Philippines and elsewhere, as a necessary part of the fight to end such criminality forever. As LaRouche concluded in his address to the Nov. 16 radio show quoted above: *“I have had a long-standing special attachment to the Philippines, and I am very much concerned for its integrity and sovereignty and well-being today. I would be very happy, and the Philippines would make me very happy, by being truly sovereign, successful, growing, and peaceful again today. And you may expect that wherever I am and whatever I am doing, that commitment is very active within me, for very special reasons that I won’t bother going into, on this question of the Philippines. I am concerned. The sovereignty of the Philippines and the success of the Philippines as a sovereign Presidential republic is, to me, one of the necessary ingredients of a future for the whole Pacific area of the world.”*

*Ramtanu Maitra and Gail Billington contributed to the research for this report.*

*The author can be reached at [mobeir@aol.com](mailto:mobeir@aol.com).*

# How Mexico Fought the Hit Men

by Gretchen Small

“The discovery, starting in the mid-1970s, that Mexico possesses much larger petroleum reserves . . . than had been previously realized, affords it a unique opportunity among larger Third World sector countries to substantially reduce the time . . . necessary to become a modern industrial nation. . . . By no later than the year 2000, the great majority of 115 to 120 million Mexicans should be able to enjoy a standard of living comparable to that of the average inhabitant of the West European nations in the year 1980.”

Thus began the introduction to *Mexico 2000: Energy and Economy*, the program for the crash development of Mexico prepared by Lyndon LaRouche’s associates in the U.S. Fusion Energy Foundation (FEF) and the Mexican Association for Fusion Energy (AMEF) in 1981. Not a timid “get-by” program, this was a detailed elaboration of how Mexico, through extensive oil-for-technology deals with advanced sector countries, could sustain annual rates of job creation and industry of 6-7% over the next 20 years, raise its labor forces’ educational levels, and build up the large scientific cadre force Mexico had always lacked. The construction of some ten agro-industrial complexes and ports—entirely new cities based around advanced energy production and integrated industrial plants, irrigation, and fertilizer production facilities—would serve as the conveyor belt, moving the knowledge and capital into the countryside, in order to eliminate the curse of subsistence agriculture which had kept millions of Mexicans in feudal peonage for centuries. By the year 2000, a significant portion of Mexico’s economy would be nuclear-powered.

This was no abstract, utopian scheme thrown out to see where prevailing winds might take it. The FEF-AMEF development program was a scientific elaboration of the perspective which shaped the entirety of the 1976-82 Administration of José López Portillo. As López Portillo restated his Administration’s policy in his fourth State of the Union address, on Sept. 1, 1980:

“By the year 2000 . . . if we wish to meet the goals of the Global Plan, we shall be obliged to build at least a whole new Mexico in addition to the present one, the legacy of its entire history. . . . There are those who, because of understandable ideological paradoxes or warped intellectualism, question and criticize the economic growth we have achieved, as if it were a crime. Let them stew in their own sick juices. . . .”

Mexico would continue to concentrate its resources on the most dynamic and productive strategic activities of oil,

steel, chemicals, fertilizer, capital goods, and electricity, he promised his fellow Mexicans.

Throughout his Administration, López Portillo personally, and many in his Administration, worked closely with U.S. economist and statesman Lyndon LaRouche and his movement, in Mexico and in the United States. Four officials from the Mexican government Administration spoke at the well-attended conference held by the FEF and AMEF in Mexico City on Feb. 19-20, 1981, to release the development program. Among the officials present, who elaborated the Mexican government’s ideas for how to get the job done, were Dr. Alfonso Rozenzweig, director of industrial port development for the President’s Office of Special Development Projects, and Mexican Industry Ministry Sub-Director, Narcisco Lozano.

*EIR* detailed at the time, how the United States, should it decide to collaborate on Mexico’s crash development program, could expect to export some \$100 billion of the estimated \$150 billion in capital goods which Mexico would need to import over the coming decade, creating 1 million new high-skilled jobs inside the United States in the process.

The export of these capital goods to Mexico “would accelerate investment and capital turnover in the most advantaged basic industries of the United States, accelerating technological progress in those industries, as well as increasing productive employment in the United States. A government of the United States which rejected Mexico’s offer of an oil-for-technology program would be a government which ought to be certified to a mental hospital on clear grounds of galloping insanity,” LaRouche stated in a March 9, 1981, address to the prestigious Monterrey Institute of Technology, in Monterrey, Mexico.

A significant grouping within the Administration of Ronald Reagan, centered on the President’s collaborators in the “kitchen cabinet,” agreed with LaRouche, and were preparing to solidify such agreements.

And how does Mexico stand today, at the close of 2004?

## 2004: Descent into Hell

Mexico is descending into Hell. Its steel industry is almost gone. Railroads are non-existent. Only one nuclear plant was ever built. Foreign banks control 82% of the nation’s banking system and most of its industry, and are now moving in on the state-run oil industry itself. Mexico’s employment in manufacturing as a percentage of the total labor force has fallen



*“The nations of the world must face reality: Either we change the economic system, or the world will likely enter ‘a new medieval Dark Age.’”*  
*Mexican President José López Portillo told the UN General Assembly Oct. 1, 1982. Hit man George Shultz the day before had given the United Nations the opposite message: Support the financial vultures . . . or else.*

by 58% since 1982; instead, more than a million workers are being recycled through the slave-labor assembly plants known as *maquiladoras*. More than half the Mexican population survives by selling on the street, mostly cheap consumer goods imported from other countries. By 2002, 50% of the Mexican people lived in poverty, even by the World Bank’s conservative estimates, and a fifth of the people lived in extreme poverty, that is, on less than \$1 a day. Hunger is rampant; death rates are rising.

Ten million Mexicans have left the country, seeking jobs in the United States where they are paid ever-lower wages, and their American counterparts also become unemployed. Another 12 million second-generation Mexican-Americans are in the United States, leaving a population back in Mexico of only 100 million—where 120 million would have lived industriously, had LaRouche’s and López Portillo’s policies prevailed. Drug-running gangs of bestialized youth, their future stolen from them, are moving into Mexico from across its northern and southern borders, and instead of cooperation, Harvard fascist Samuel Huntington and his co-thinkers are calling for war with Mexico, and its immigrants.

Let the lesson of the destruction of Mexico’s 1976-82 policy fight take its rightful place in the development of civilization, to be studied by youth around the world today. Mexico was not crushed because of any failure on the part of its leadership or people; nor were its ambitious plans, like those of Icarus, destined to melt away.

Over and over, López Portillo warned, that should *the international system* not be changed, the Four Horsemen of the Apocalypse would rule over the Earth again, and no nation

would survive. “Justice for the Mexican peasant . . . is not [to be sought] in Mexico, but in the IMF [International Monetary Fund] and its system, which we are dedicated to modifying,” he told reporters angrily, as he returned in September 1979 from yet another failed attempt to get U.S. President Jimmy Carter to support Mexico’s development.

López Portillo fought to change that system until the day he died, on Feb. 17, 2004. Mexico was crushed, because of the failure of most world leaders to rally their nations to the task of changing that global system, as LaRouche showed, time and time again, could be done. Mexico lies dying today, because we in the United States have failed, thus far, to rally sufficient political muscle to force our elected representatives to use the powers contained in our Constitution, to crush the financial interests behind those self-described “economic hit men” exposed by John Perkins, in his recent book, *Confessions of an Economic Hit Man*.

We recount here the story of LaRouche and López Portillo’s joint battle against the financiers’ system of “economic hit men,” not to weep, but so the young generation of today can know who stole their future from them—and how to take it back. The single best source of material on the now-buried history of José López Portillo’s battles to transform the world, so that Mexico and its people could enjoy their rightful role in humanity’s great forward progress, is *EIR*. *EIR* uniquely chronicled the rich history of this period of excitement and optimism in the global battle against the economic hit men. The U.S. media’s censorship of this battle, as it occurred, is still shocking, 25 years later. U.S. government documents from this period declassified years later, confirm how right

*EIR* was, in its exposés of the war against development, as the events unfolded.

## The Setting

By the time President José López Portillo took office in December 1976, the August 1971 decision to impose the international floating exchange rate system, combined with the 1973 oil price hike arranged by “the economic hit men,” had already wrought havoc on the world economy, and brought dozens of developing sector nations to the brink of default.

Mexico was no exception. Barely three months before López Portillo was sworn in, systematic currency warfare against the country had forced his predecessor, Luis Echeverría, on August 31 to devalue the peso for the first time in 22 years, and that by an incredible 50%. A wave of deliberately spread rumors of a never-planned coming bank deposit freeze and military coup followed, leading to a run on the banks. Mexico was trapped into signing a Letter of Intent with the IMF, which imposed strict limits on government spending.

The “economic hit men” had succeeded, they hoped, in tying the hands of the incoming Mexican President.

A greater danger confronted Mexico, however: the January 1977 inauguration of a government in the United States run, top-down, by the “economic hit men” of the financiers. The Carter Administration was under the firm control of National Security Advisor Zbigniew Brzezinski. Brzezinski, a leading member of the London-allied Council on Foreign Relations (CFR) and executive director of David Rockefeller’s Trilateral Commission, was an avowed Malthusian. Only months before taking command of the Carter government, Brzezinski had signed a full-page manifesto of Malthusian fanatic William Paddock’s Environmental Fund (funded by the Mellon family), demanding more population control to stop all those hateful human beings from being born. Due credit must be given, also, to Carter Energy Secretary James Schlesinger, as one of the most vicious economic hit men ever to abuse the U.S. government. Many of Carter’s cabinet came out of the Trilateral Commission and the CFR.

The “LaRouche factor” within the United States was also growing, however. LaRouche was then famous around the world, for his April 1975 proposal for the establishment of an International Development Bank (IDB), as an alternative to the bankrupt IMF system. In 1976, courageous Third World leaders had rallied behind his calls for an orderly process of debt moratoria and the creation of an IDB-type institution to channel low-interest credits into development projects across the globe, which could assure vast increases in industrial production.

On Nov. 1, 1976, on the eve of the decisive 1976 U.S. elections, LaRouche delivered a national television broadcast, viewed by a minimum of 20 million Americans, in which he warned that the financier circles sponsoring Jimmy Carter’s Presidency were committed to plans which would lead to thermonuclear war with the Soviet Union, and death for

the Third World. LaRouche cited their policies towards Mexico, as exemplary of the “genocide” which the extreme austerity these circles intended would bring about. Typically, LaRouche did not hesitate to name names. LaRouche singled out George Ball, of Wall Street’s Lehman Brothers, as among those intending nothing less than the reduction of Mexico’s population from 58 million (at that time) down to 28 million. Ball promoted the work of the William Paddock who proposed to reduce our neighbor’s population “by the methods used by Hitler in eliminating 6,000,000 Jews and Slavs and others in Eastern Europe during the war; by a forced labor-intensive slave-labor system in which those who are no longer suitable for this process of slave labor will be allowed to die,” LaRouche reported to the American people.

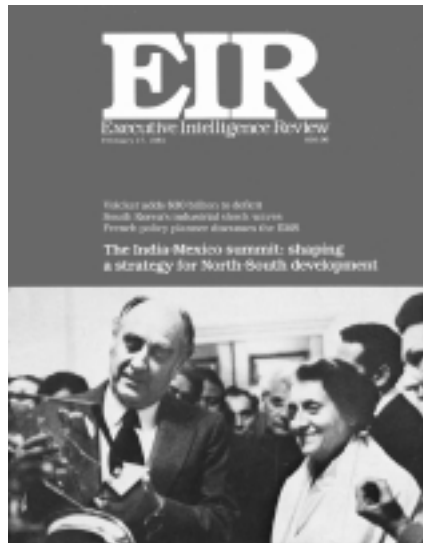
“That’s the policy of Ball, that’s the policy behind Kissinger’s foreign policy, that’s the policy behind a dominant group in the United States,” LaRouche warned.

LaRouche’s role in building a mass political movement within the United States to return this nation to the anti-colonial mission for which it was founded, was far from unknown in Mexico. A group of young Mexicans, still in their 20s, had established a political association in Mexico in 1974 based upon LaRouche’s ideas. Through their publications and polemical interventions into the universities and political events, LaRouche enjoyed significant influence among nationalist intellectual layers in the country.

One of the leading figures who had come to know LaRouche’s work through meetings with his young Mexican collaborators, was then-Finance Minister José López Portillo. Over the course of his Presidency (1977-82), López Portillo would continue meeting with the youth leading LaRouche’s association in Mexico, which was rapidly growing in numbers and influence. LaRouche himself would visit Mexico four times, meeting personally with the Mexican President at the Presidential offices, Los Pinos, on his third visit, in May 1982, in the midst of the Malvinas War.

This was a very different time. Developing sector nations were still recognized as nations, not dismissed as simply “emerging”—or rather submerging markets. And many leaders of those nations still believed that their job was to better the lives of their people.

José López Portillo was an exceptional leader, a classically educated intellectual—Goethe, Beethoven, and Mexican Independence leader José María Morelos were his heroes from his youth, he told *El Universal* in February 1978. He took great personal risks in his battle to defend Mexico’s rights. His was an exceptional mind, but others shared his outlook. Mexico’s *culture*, as a whole, was more optimistic; its people were respected internationally as fiercely determined to safeguard their sovereignty and independence. Members of López Portillo’s team, who in later years would buckle to the Malthusian, post-industrial *Zeitgeist*—something he never did, to his dying day—under López Portillo’s leadership, displayed great patriotism and creativity.



*A detailed program for Mexico's agro-industrial development, and the forces for and against it, were chronicled weekly in the EIR.*

### 1977: The Battle Begins

A series of now-declassified internal U.S. government memoranda from the Carter Administration days, document how the “economic hit men” within the Administration began preparing economic warfare against the López Portillo regime as soon as Carter was inaugurated. U.S. officials already knew that Mexico was sitting on vastly more oil than previously known—and they had no intention of letting it be used for national development.

In a Feb. 8, 1977, memo prepared for Treasury Secretary Michael Blumenthal, in advance of the upcoming visit of the Mexican President to Washington, Under Secretary of Treasury for Monetary Affairs Tony Solomon advised that “recent nonpublic estimates indicate that Mexican petroleum reserves may be among the largest in the world.” JLP (as he was identified) is expected to request U.S. financial assistance to increase oil production capabilities, but the two-month old JLP Administration has yet to clearly define its economic policies, Solomon cautioned. As Finance Minister, JLP had privately stated that “Mexico could not afford a recession because of the lack of social welfare programs to take care of the unemployed, a theme he continues to repeat.” Solomon recommended that Blumenthal press the Mexican President on “what policies are being instituted to meet the economic performance targets in the IMF stabilization program.”

The Carter-López Portillo summit took place in Washington, on Feb. 14-15. According to the official U.S. summary of the conversations, the Mexican President came with the message that Mexico illustrates “the problems inherent in relationships between the United States and the developing world,” and therefore, JLP suggested that Mexico could serve “as a ‘laboratory’ or a ‘sounding board’ for new proposals” for this North-South dialogue.

Brzezinski was the third party in the Presidential talks,

and *EIR*'s Washington sources reported at that time, that Brzezinski had demanded: (1) offshore drilling rights for U.S. oil corporations (a violation of Mexico's Constitution); (2) a reduction in Mexico's public spending; and (3) measures to reduce Mexico's population growth and the flow of undocumented “aliens” coming across the U.S. border from Mexico. Were that to occur, the United States would kindly help Mexico renegotiate its foreign debt.

Solomon was sent to Mexico City in April, again to press for greater austerity. Upon his return, Solomon reported that JLP had told him that “in the case of Mexico, belt-tightening can only go so far because there is nothing to tighten a belt against, or even a belt for Mexico's poor. He said that measures that were too strong could risk social unrest and turn Mexico into a fascist state like Brazil or Chile. In this connection, he discussed the price of corn and how difficult it is to raise the price of tortillas.” Solomon's message back was that the IMF recommendations must be followed, no matter the “short-term political risks.”

U.S. officials told Mexico again in May, that it must meet IMF budget deficit parameters, even if that meant postponing spending on developing its oil.

Mexico proceeded, nonetheless, and by June 1977, estimates of its probable oil reserves had doubled since January, to more than 60 billion barrels, making Mexico potentially among the four or five greatest oil producers in the world. *EIR* summarized the fight developing between the economic hit men and Mexico's nationalists in its June 28, 1977 issue: Mexico saw oil as its path to economic modernization and development; the financiers saw a cash cow from which Mexico's then-\$30 billion-plus debt to international commercial banks would be paid back—a full \$5 billion coming due in 1977 alone. Down the line, they intended to grab Mexico's oil itself.



David Rockefeller personally went to Mexico on June 21, with “an offer you can’t refuse”: The United States would lighten up on demands for debt payment, if Mexico agreed to keep its oil at U.S. disposal, in case of “emergency,” as part of its strategic reserve.

The Mexicans, however, had drawn up a \$15.5 billion capital investment program for the state oil company, Pemex, for the 1977-82 period—IMF approval or no. A program had been drafted for building 103 new refining and petrochemical plants, including all major lines of petrochemical production, with particular attention on ammonia, a key ingredient for fertilizer. After meeting with López Portillo, Mexico’s Natural Resources Minister José Andres de Oteyza delivered Mexico’s answer to the Rockefeller ploy: “Mexico is not willing to commit its oil to the United States in exchange for financing received through the good graces of that country.” Mexico would use its oil for a broad development policy of the whole economy.

The government began looking for options for international financing outside the Eurodollar market; discussions with Japan, Italy, and OPEC intensified.

The Paddock policy of which LaRouche had warned in his pre-election broadcast, was now set into motion. Paddock, in 1975-76, had told journalists: “the Mexican population must be reduced by half. Seal the border and watch them scream.” Asked how that would reduce the population, he coolly replied: “by the usual means—famine, war, and pestilence.” Now the word went out that the Carter Administration intended to crack down on undocumented Mexican workers in the United States.

López Portillo responded, in a July 4 interview with *US News and World Report* that “illegal migration to the U.S. will end when we solve Mexico’s economic problems. . . . These people aren’t criminals. They are ordinary people looking for jobs. . . .”

Carter went ahead and announced on August 4, “aggressive and comprehensive steps” to crack down on Mexican undocumented workers. And it could get worse, Immigration and Naturalization Service (INS) Director Leonel Castillo threatened, in an interview with Mexico’s *Excelsior* daily. Were the United States to initiate “massive deportation . . . the return of millions of citizens to Mexico would destabilize the country, causing a revolution. . . .” This threat, in hardly varying disguises, would become a constant theme for the next three decades.

In September, U.S. Treasury’s Solomon prepared a memo outlining Treasury’s proposal for creation of a “U.S.-Mexican Development Fund,” as a sweetener to get the Mexicans to go along with its crackdown on illegals. Solomon rejected the Mexican government’s proposal for a joint fund to supply credit to private industry, in favor of a fund targetting loans for two purposes: *labor intensive* projects in the rural and semi-industrial areas from where most migrants came, and support for “a long-term family planning program.”

In Treasury’s view, Mexicans were to remain peons, and the fewer of them the better. Kissinger’s infamous 1974 National Security Study Memorandum 200, which declared that Third World population growth is a threat to U.S. control of raw materials, was still in force.

## To Develop a Nation, Develop Its People

The war over whether Mexico had the right to industrialize was on.

In his first State of the Union speech, on Sept. 1, 1977, López Portillo fired back against the backward, anti-human policies being thrust upon Mexico. “The regime will not accept any growth which is based on injustice or on the exploitation of man and his family,” he told his nation. Government spending will set the pace and course of the economy, to make certain that our national priorities are met. Two weeks later, on Sept. 18, *El Sol de México*’s Manuel Buendía was leaked the text of the 1976 IMF “Letter of Intent” which had been forced down the throat of López Portillo’s predecessor, Echeverría, and the key documents related to it. The IMF’s chief concern was that public investment be reduced.

That the document had been deliberately leaked to strengthen the government’s hand in its plans to violate the IMF conditionalities on government spending, was not hidden. Buendía—who would be assassinated in the 1980s—called for “a vigorous movement of public opinion” to back up President López Portillo in his fight “to break the chains which bind us to a program which . . . favors the designs of the most reactionary national and foreign capitalists.” Citing Buendía’s call, nationalist Congressmen from the ruling PRI party led the campaign. As Congressman Julio Zamora Bátiz told *El Sol*: “The IMF has had great success in finishing off the economic structure of many countries. . . . The debate must be opened at the national level with the participation of all sectors of public opinion, in order to pressure the IMF to reconsider its attitude.”

In presenting his credentials as Mexico’s Ambassador to France, to French President Giscard d’Estaing that September, nationalist economist Horacio Flores de la Peña condemned the IMF. Mexico and the Third World need growth, technology, and industry, Flores de la Peña proclaimed, and Mexico “looks to France for cooperation.”

The Malthusian post-industrialists may have seized control over the Carter Administration, but not yet the governments of all the then-industrialized nations. Giscard d’Estaing replied that France was committed to giving the Third World technology, and that Mexico’s extraordinary untapped oil reserves provided the basis for a most advantageous oil-for-technology exchange.

Not everyone in the United States was as crazy as Carter and Brzezinski. These were pre-Enron days, and U.S. businessmen were eager to do what they assumed they were supposed to be doing: producing. A credit package had been drawn up in August to finance construction of an 825-mile

natural gas pipeline from Mexico's new southeast hydrocarbon fields, to the border town of McAllen, Texas, the which could provide the United States with 2 billion cubic feet of natural gas per day by 1981, some 4% of the U.S. natural gas consumption levels in 1977. The Eximbank was to provide some \$600 million in financing, for collateral development of Pemex, as well as for U.S. exports for the pipeline itself. Six U.S. gas companies were enthusiastically preparing to get in on the deal, when Energy Secretary Schlesinger set out to sabotage it.

Executives of the pipeline and gas companies who recognized *EIR*'s unique role as a bridge between the two countries, and were working closely with *EIR* on expanding U.S.-Mexican economic cooperation, could not believe what was happening. One exploded to *EIR*: "They can't be looking to the welfare of the U.S. We're going to lose jobs and important production contracts if the loan doesn't go through. Mexico has made it clear it is ready to go elsewhere."

Within a few months, Schlesinger won out in the United States. But Mexico refused to buckle to the demand that it sell its gas cheap, and the deal collapsed by the end of 1977, not to be revived—yet! The pipeline was built to the north of Mexico, but the connection to the U.S. border was never built. Mexico used the gas in the northern regions for domestic development, and instead exported the oil that otherwise would have been used domestically.

## Found Oil? Go Nuclear!

What government today, upon discovering massive oil reserves, would exclaim: "Wonderful! This is our path to becoming a nuclear economy!" Yet, this was the response of López Portillo and his collaborators. Oil was not viewed as "money"; it was the resource which could provide Mexico the means to finally industrialize and achieve true independence for its people.

On Oct. 26, 1977, Pemex head Jorge Díaz Serrano opened a special, two-day session of the Mexican Congress to discuss the proposed natural gas pipeline to the United States, with the stunning announcement that Mexico's oil reserves might, in fact, be as large as 120 billion barrels. Oil, he said, will be the center of a 20-year crash economic development program, in which the nation would move into the atomic age, in which oil is used not as a fuel source, but as a raw material for petrochemical processing. A recent government study had concluded that a generation hence, nuclear power should be the dominant energy source in the country. "We can see in the future a new nation, not only permanently prosperous, but a rich country in which the right to work is a reality, and where wage levels permit better style and quality of life." Congressman Jesús Puente Leyva, speaking for the ruling PRI party, replied, "Oil will be the bridge to Mexico's future."

In November, Francisco Vizcaino Murray, chairman of the Mexican Nuclear Energy Institute, told a PRI youth conference that uranium, not oil, was the country's most abundant

resource, and by the year 2000, 70% of Mexico's electricity would be generated by at least 20 nuclear reactors. Mexico needs to train the technicians and researchers of the future who will man this new industry, he said—and to step up its training and experimental program, the government sought to acquire a fusion tokamak facility.

President López Portillo and his team travelled throughout Mexico in the first few months of 1978, rallying the Mexican people to the task of building a vastly different future than they could have foreseen for themselves in the recent years of worsening living conditions. "We have to rapidly accustom ourselves to thinking big," López Portillo told his people. "We must plan large development projects with ambition and vision."

On March 18, the anniversary of President Lázaro Cárdenas's expropriation of foreign oil companies in 1938, Pemex chief Jorge Díaz Serrano announced, in a nationally broadcast speech, that oil production had grown by 23.7% in 1977, to 1.1 million barrels per day, and would rise to 1.4 million bpd by the end of the year. Mexico would produce and export oil fearlessly, because it provided the path to development, he assured Mexicans. The Administration expected to raise \$60 billion in oil sales over the course of the López Portillo Administration (1977-82), and a net profit of approximately \$11.5 billion would be channeled into the newly created National Employment Fund, which would finance the construction of large-scale industrial projects.

The principle driving the Administration's plans, was the development of the Mexican labor force as a whole. Education Minister Fernando Solana told a summit meeting on education policy in mid-March, that training and education of the broadest layers of Mexico's population, is "the most efficient means of transforming the potential energy, which resides in the very heart of populations, into the motor force of progress." The government drafted a bill for the Mexican Congress to reform Article 123 of the Mexican Constitution to make advancing education and skill levels a *constitutional right*. Discussion began of the necessity of raising the labor skills of the peasantry, by building up agro-industries in the countryside itself.

At the same time, attention focused on how to build up heavy industry in the nation. A government task force was formed to coordinate the effort to build up a significant capital goods industry, and a private-public sector task force was created to direct national steel production. Three separate state-owned steel plants—Las Truchas, Altos Hornos, and Fundidora Monterrey—were consolidated into one enterprise, Sidermex. Total production nationally in 1978 was projected to reach 6.6 million tons, sufficient to meet national demands, and a minimum investment of \$1.58 billion was planned over the next three years.

Investment into petrochemicals was to increase by 360%, to \$4.1 billion over the course of the Administration; a five-year plan to increase national production of fertilizers was



*The Pemex plant in Veracruz. The López Portillo Administration planned the use of Mexico's vast oil and gas reserves to build a future high-technology nuclear-powered economy. There was a \$15.5 billion capital investment program for the state oil company Pemex, for 1977-82, which included 100 new refining and petrochemical plants.*

drafted, with the goal of supplying 80% of national needs, within that time. The shipping industry was also a focus of attention, with plans for Mexico to build 44,000-ton tankers for Pemex by 1982.

“The task is to turn our abundance of hydrocarbons into a lever of integral, independent, and well-planned development,” José Andrés de Oteyza, Minister of Natural Resources, told the annual meeting of the National Chambers of Industry (Concamín) on March 15, 1978. He laid out for the businessmen a sweeping vision of what must come next. We must “foster in the medium and long term, a national capital goods industry. . . . The establishment of an industrial plant capable of *reproducing itself*, is an appropriate destiny for our oil resources,” as is also the development of such alternative sources of energy as nuclear power, he told them. Regional development and industrial decentralization are needed, and “great ports on our coasts will be constructed to serve as ports of departure for our exports.” So, too, agriculture and the food industry must be made more productive through the building of large agro-industrial complexes. “We must again become a country capable of feeding itself,” De Oteyza emphasized.

The oil for industrialization strategy had its opponents within Mexico, both from anti-state reactionaries and from radical, anti-industrial leftists, who demanded that the oil be left in the ground. López Portillo took the broader philosophical issue, which lay behind the battle, directly to the people, so that Mexicans would be clear about the looming battle with the financiers' economic hit men. Exemplary was his March 31 address to a rally of 25,000 oil workers:

“. . . Here are the petroleum resources. They are resources that will run out. Who is going to take advantage of them and

for what purpose? That is a moral problem. . . .

“Are we going to sacrifice the present generations for those of the future, or are we going to leave the future generations subject to their own advice and decision? This is a grave question to pose to a politician. It is the grave question that was posed to the politician who was Lázaro Cárdenas, when he expropriated foreign oil holdings for the future generations. And this was 40 years ago; brothers, we are now the future generations of that time.

“For the first time, and within two years, we will have the possibility, the potential to not have to resort to foreign financing in order to maintain, increase, and accelerate our development. What are we going to use these potentialities and the petroleum surplus for? To begin an era in which we only pay debts? This, friends, is the grave question before us, and it is an appropriate moment for all sectors of public opinion to debate this national question. . . . It is the future of Mexico that is under discussion.

“I think, brother workers, that the historic moment has arrived to say ‘enough’ to the ancestral misery of the Mexicans; we must have sufficient talent and decisiveness to solve once and for all . . . the problem of misery and marginality; and for this, the fundamental support, the basic pivot, is and should be oil.

“I believe it is unjust, for those who are out of work, and there are many; I believe it unjust, for those who suffer hunger; I believe it unjust, for those who are sick; I believe it unjust, for those who are ignorant; I believe it is unjust for the Mexicans who are unhappy, that we should postpone the decision to build the greatness of the country. We are going to build it now, for ourselves and for our children.”

## A Global Battle

López Portillo understood that should the international system of which Mexico was a part not be transformed, Mexico would be unable to sustain its own transformation into a modern nation, in which all its people, finally, were freed from conditions of virtual feudal peonage. To the disappointment of the Brzezinski crowd in the Carter Administration, who had projected that he would not continue the activist international policy initiated by his predecessor, Echeverría, López Portillo and his team set out to create international alliances for the battle to build the kind of New World Economic Order which LaRouche had elaborated in his 1975 IDB proposal, with which López Portillo was well-acquainted. The potential was great, as key leaders of the industrialized nations—France’s President Giscard d’Estaing, Germany’s Chancellor Helmut Schmidt, Japan’s Premier Takeo Fukuda, and Soviet chief Leonid Brezhnev, among them—also were seeking to restore some order to a world thrown into chaos by the 1971 decision to impose a floating rate exchange system.

On April 8, 1978, López Portillo delivered a major address on foreign policy, in which he stressed that Mexico’s national development goals could be realized only in the context of a revised world system, in which no country is forced to “export its living standards” in order to survive.

He took personal charge of the diplomacy to create that revised world system. In May 1978, López Portillo visited the Soviet Union, then led by Leonid Brezhnev. He arrived less than two weeks after Brezhnev had announced, in an address to the West German people, the signing of a new “Rapallo accord,” a 25-year economic treaty between the Soviet Union and Germany, then led by Chancellor Helmut Schmidt. In the same speech, Brezhnev stated that world economic development required a partnership between the industrialized and Third World nations.

How to develop such a global partnership was the center of discussion during López Portillo’s visit. López Portillo told the Soviet people, in a May 18 address on national television, that “to us of the developing countries, the important thing is not just reducing the risk of war, but winning the peace. This is only achieved if we find the true path toward the new international economic order, which resolves problems of financing, transfer of technology, and basic trade.”

Specific oil-for-technology accords, particularly Soviet cooperation in the construction of nuclear reactors for peaceful purposes in Mexico, were discussed on his trip, which included tours of the Soviets’ advanced fission and fusion nuclear facilities of the Kurchatov Institute outside Moscow and the extraordinary science city of Novosibirsk. Bilateral agreements were signed for Soviet training of Mexican nuclear scientists, the transfer of nuclear technology to Mexico, and Soviet enrichment of Mexican uranium.

Underlying the accords was the concept the Mexican President presented in a May 19 speech before the Academy of Sciences in Novosibirsk: “Technology is a patrimony of

humanity. . . . Powerful countries which have achieved it and implemented it have the obligation, for the future of humanity, of honestly transferring their advances so that backwardness can end, so that tomorrow’s humanity will not be as divided as it might be otherwise.”

This was precisely the collaboration that the economic hit men were determined should never occur! On May 21, Mexican newspapers reported that Schlesinger’s Department of Energy had confirmed that the United States had embargoed two tons of uranium which Mexico had purchased from France, and sent to the U.S. for enrichment, until Mexico agreed to U.S. on-site inspection rights of Mexico’s nuclear research facilities. President Carter had signed the Nuclear Non-Proliferation Act in March 1978, and the Brzezinski-Schlesinger regime set out to sabotage not only its own nuclear development, but any such development around the world.

However, pressure was building for a global change in economic policy from Western Europe, also. At a meeting of European Community Heads of State in Bremen, Germany, in July 1978, French President Giscard d’Estaing and Chancellor Schmidt announced the formation of a new, gold-backed European Monetary System (EMS), to end world monetary instability and allow for a full economic recovery. The purpose conceived for the EMS, as Schmidt admitted to West German bankers that October, was to provide the “basis for a new *world* monetary system.” In December 1978, Schmidt elaborated in a speech to a meeting of Commonwealth countries in Jamaica, that what was needed, within the coming months, was agreement upon “a new, more just world economic order, with full access to credit and technologies for the Third World and the industrialization of the Southern Hemisphere.”

In September, the Mexican government raised the urgency of creating new international financial structures to support development, at the 15th meeting of IMF and World Bank governors from Ibero-America, the Philippines, and Spain. At the meeting, Mexican Finance Minister David Ibarra proposed that Ibero-America unite in support of the need for the World Bank to profoundly change its operational and financial policies, “to transform itself into a real bank for international development,” and for the IMF to become an institution for “long-term financing for the developing nations.” At the IMF annual meeting two weeks later, Ibarra told *EIR*, in an exclusive interview, that it was urgent that action be taken to reduce the acute exchange rate fluctuations of recent years, and “there must be a general agreement among the industrial countries to set the conditions for an international monetary system, taking into account the needs of the developing countries.”

### **Brzezinski: No Japans South of the Border!**

As *EIR* reported in its Oct. 31, 1978 issue, the economic hit men had other ideas. *EIR* had been told that National Secu-

rity Council Director Zbigniew Brzezinski had repeatedly stated in private that the United States would not tolerate “another Japan south of the border.” The tack taken by the “hit men” team—the Carter Administration, the World Bank, and the IMF, included—was that Mexico must give up the idea of industrializing, and concentrate on creating low-skilled, labor-intensive jobs which kept its people backward.

Carter Administration sources leaked that a secret Presidential Review Memorandum, PRM-41, was being prepared on U.S.-Mexico relations, plotting economic and civil war against Mexico, using immigration battles as a weapon. The discussion around PRM-41, “as orchestrated by Sen. Edward Kennedy, the Rand Corporation, and the Brzezinski-Kissinger wing of the National Security Council, centers more or less bluntly on how the U.S. can make sure its ‘strategic considerations’ prevail over Mexico’s in the use of the oil and its revenues,” *EIR* reported at the time.

When quotes from the PRM-41 document were leaked to several U.S. and Mexican papers on Dec. 15, 1978, they revealed that the document, linking immigration and oil development, officially mooted the possibility that the U.S. might “attempt to seal the border.” Also placed on the U.S. Government’s agenda, was the idea promoted by the Council on Foreign Relations as part of its infamous mid-1970s “Project 1980s” proposals for how to bring about the “controlled disintegration” of the world economy, that Mexico’s resources could be best grabbed through the eventual formation of a “North American community” joining Mexico, Canada, and the United States. This was the policy finally sealed, in 1994, with the signing of the North American Free Trade Accord (NAFTA), which has so destroyed all three countries.

López Portillo rejected the NAFTA plans out of hand, throughout his Administration. As he told the Canadian Parliament on May 26, 1980, “the creation of such an entity would inevitably hinder our industrial development,” and would condemn Mexico to “perpetually extracting and exporting raw materials for their consumption by more advanced societies.” Mexico rejected the idea of any “regional economic association” in North America, “be it general or be it in the field of energy.”

Mexico proceeded with its development. The cover story of *EIR*, Nov. 28, 1978, told Americans of “The Oil Giant Next Door.” In the two prior weeks, *EIR* reported, Mexico had amazed the world with the news of two major oil finds totaling an astounding 180 billion barrels of oil, plus natural gas. This is “good news for everyone,” *EIR* stressed: the López Portillo government will sell Mexican oil to anyone willing to participate in Mexico’s industrial development. In announcing the finds, Minister of Natural Resources De Oteyza invited international businessman to collaborate with Mexico, within its laws, in its plan to double its industrial plant within 6-7 years, and grow at an annual rate of 10%. We shall use our oil wealth “as the propulsive instrument for the great industrial development of the nation,” Pemex director Díaz

Serrano told a Chicago audience at that time.

*EIR* detailed the yet-more-audacious “Coming Industrial Boom” Mexico planned:

- Twenty nuclear reactors were to be built by the year 2000. Mexico’s Congress had just passed a comprehensive nuclear bill which created a Nuclear Energy Commission, a state uranium mining and refining monopoly, Uramex, and a reactor construction program, which mandated the expansion of the existing, small nuclear research and training institute, the INEN.

- Mexico’s demand for capital goods would total \$45 billion over the next ten years, officials now calculated. The “Program for the Development of the Capital Goods Industry” was inaugurated on Nov. 15, 1978, with the signing of a loan for Mexican capital goods industries to produce heavy equipment for Pemex and the Federal Electricity Commission. The architect of the strategy, Finance Minister Ibarra, was campaigning also for the creation of a \$15 billion international fund to promote capital goods throughout the Third World.

- Cities based around new medium-sized industries were to be built throughout the country, to “bring about a wealthier, more just and more humane society by the dawn of the next century,” in which unemployment would be eliminated by the 1990s, Natural Resources Minister De Oteyza told people.

And the Carter Administration? At the conclusion of the debate on the Mexican nuclear power legislation, Mexican Congresswoman Ifigenia Navarrete denounced those foreign countries which “just like the gods who were angered that Prometheus gave the gift of fire to mankind, now try to prevent the spread of nuclear technology, now open to everyone.” Everyone knew her target was the Carter Administration. The week before Mexico announced its oil finds, Brzezinski had given a closed-door, secret briefing to U.S. businessmen, telling them that the United States had the right to intervene in nations which “threaten world economic stability,” and he referenced Mexico by name.

Brzezinski and crew were also not pleased that Japan itself was actively pursuing ways to help Mexico become “another Japan south of the border,” by negotiating oil-for-technology contracts with Mexico.

In a May 1978 meeting with President Carter, in which Brzezinski participated, Japanese Prime Minister Takeo Fukuda had proposed that the United States join Japan in helping create a world economic recovery, through joint cooperation on the development of fusion power, and “grand projects,” such as a second canal in Panama, and a first canal across the Kra Isthmus on the Malay peninsula. That Fukuda sought to revive the FDR precedent in U.S. history, was made explicit, when he proposed to Carter that such U.S.-Japanese cooperation could be called “a New Deal.” Carter ignored the proposal, instead suggesting that foreign aid be centralized through the World Bank, and pushing solar energy.

López Portillo, however, was eager to cooperate with Ja-

pan on bringing about such a global “New Deal.” In late October, he travelled to China, Japan, and the Philippines, to develop cooperation with the great Asian nations on this project.

As he arrived in China on Oct. 25, 1978, the U.S. Immigration and Naturalization Service announced the construction of an “impenetrable fence” along key sections of the U.S.-Mexican border. The Mexican press compared it to “the Berlin Wall.”

Schlesinger, visiting China at the same time, tried every which-way to get the Mexican President to meet with him in China, an “offer” which JLP sharply rejected. López Portillo had a message for China: The unity of the two great Pacific Basin giants, China and Japan, around development, should define the end of the 20th Century.

López Portillo arrived in Japan on Nov. 1, announcing that he was not there as an oil salesman, but to seek long-term relations “which extend into the next century.”

“Let us think big together. . . . Mexico and Japan could together write some of the most important pages of the history of the future,” he told a group of Japanese businessmen. In other speeches, he called for international agreements to share advanced energy technology with the developing sector, because energy must be secured to “guarantee the well-being of humanity” and the “elimination of the extreme poverty in which a broad part of the world population lives.”

Prime Minister Fukuda agreed. Promising that Japan was ready to provide “everything possible” for the development of “new industrial sectors in Mexico, as well as for those already in operation,” he situated the exchange of Mexican oil for Japanese technology in its broader context: “the necessity to seek a solution to the world economic crisis, fundamentally the North-South question.”

The Fukuda-López Portillo final communiqué reported that “the President of Mexico expressed the urgency of establishing a new international order, as defined by the United Nations, to achieve equitable economic relations among all nations. The Japanese Prime Minister listened intently and responded with a detailed discussion of his country’s conception of this important question. . . . They both agreed as well that the global conception of their relationship goes far beyond the mere strengthening of commercial exchanges, to encompass a commitment to joint investments of mutual interest. . . . [They] discussed with interest the possibility of cooperating on development projects for Mexico, such as improving ports, transport, tankers, steel, secondary petrochemicals, and machine tools. . . .”

In the last stop on his Asian tour, the Philippines, López Portillo offered to supply Mexican oil technology to its fellow developing country.

## Europe Not Excluded From the Battle

Europe’s efforts to develop Third World partners for the fight to create a stable world system, represented another

problem for the Brzezinski team. With French President Giscard d’Estaing scheduled to visit Mexico at the end of February 1979, Brzezinski pushed Carter to go there first, and in December, a Carter trip to Mexico was hurriedly scheduled for early February. U.S. pressures were so fierce, that Giscard’s personal spokesman, Pierre Hunt, told the press that France did “not understand why French-Mexican energy accords could bother the U.S., unless it considers Mexico its private hunting preserve.”

*EIR* intervened, to rally saner Americans to adopt the oil-for-technology approach, which was proving successful for other industrialized nations. LaRouche’s perspective was, as López Portillo had argued with Carter in their first meeting, that cooperation with Mexico’s industrialization provided the United States the best opportunity to change economic policy. In well-attended *EIR* conferences in New York City and Washington, D.C., in January 1979, which were prominently covered in the Mexican press, LaRouche representatives laid out the urgency for the United States to collaborate with the French/German-led European Monetary System on Third World development. Emphasizing Mexico’s interest in the proposed change in U.S. policy, the Mexican Embassy’s commercial attaché spoke at *EIR*’s Washington seminar on “Doing Business in 1979—The European Monetary System and Mexican Oil.”

On Jan. 22, in testimony before hearings of the Joint Economic Committee, Schlesinger threatened that Mexico must go slow with its energy development, because “we have seen what happens with too rapid development in Iran.” Thus began another drumbeat which the financiers would pound upon for years: that the very attempt to develop would create a Mexican version of the fundamentalist radicals around Ayatollah Khomeini, and lead to the overthrow of the regime.

On Feb. 6, the Mexican daily *Excelsior* published a document from Brzezinski’s National Security Council, recommending that Alaskan oil be sold to Japan to replace oil for that country due from Mexico in 1980, and that Mexican oil instead be delivered to the United States—an idea never raised with the Mexican government, and which the Mexicans promptly rejected out of hand.

Brzezinski and Secretary of State Cyrus Vance, another CFR “economic hit man,” accompanied Carter on his Feb. 14-16 visit to Mexico. They delivered ultimatums: The U.S. needs Mexico’s oil for its strategic reserve, so it could confront OPEC, and Mexico must join the General Agreement on Tariffs and Trade (GATT), the predecessor to globalization’s World Trade Organization enforcement arm. (On March 18, 1980, López Portillo, to the great anger of Washington, announced that Mexico would not enter GATT, because “we prefer to advance in the conception of a more just new economic order.”)

Carter left Mexico empty-handed. Not so French President Giscard d’Estaing. His Feb. 28-March 3 trip to Mexico, the first by a French head of state since Gen. Charles de

Gaulle's historic 1964 visit to Mexico, concluded with deals which Mexican Ambassador Flores de la Peña said would turn both countries into "one huge factory." Giscard d'Estaing explained the EMS functioning to Mexican businessmen and bankers; met with intellectuals; and addressed a special session of the Mexican Congress. Bilateral accords signed ranged from cooperation on railroad building, to mining-metallurgy, and scientific cooperation in aerospace and nuclear development.

Discussion between the two Heads of State focussed on the global changes needed to achieve what the two Presidents called "an active peace." These dangerous times require that leaders drop "the conventional rhetoric that no one believes in," and instead pose the problems faced "with frankness and clarity," López Portillo said in his speech at the welcoming state dinner. He identified the philosophy, later to be called "neoliberalism," as a threat to all humanity. France and Mexico have "much to explore and do: raw materials, capital markets, currency co-investment, technology, projects, opportunities in which we must join, eliminating the phenomenon of a new monetarist mercantilism that favors capital above labor, and which is dramatically present between the powerful and the weak countries," he said. "For France, as for Mexico, politics and economics are a living part of the culture, and not an expression of natural forces."

Our meetings "should permit our two countries to play an essential role in the establishment of a new world economic order," Giscard told Mexican bankers and businessmen. And to the Mexican Congress, he stated: "Our two countries have identical points of view about the near future of the world, and have the same will to peace. . . . It is necessary to lay the foundations for a 'détente' policy on a world scale, through open cooperation, and by getting beyond a simplistic Manichean vision which counterposes some peoples against others, according to whether they participate in or submit to a given form of government or according to their level of wealth or misery."

### **An 'Energy Bretton Woods'**

In his discussions with the French President, López Portillo singled out the urgency of developing "the grand conception" required to bring order to world use and development of energy sources and their alternatives. Energy sources must be viewed as "the patrimony of all mankind," he urged, as he warned that "the disorder of energy production, distribution, and consumption, with all that involves and touches upon, has humanity on the brink of collapse." In keeping with this policy, Mexico never sold oil on the international spot market, under his Administration.

Giscard was interested in the proposal, and his government later joined Mexico in organizing for a world energy conference around his idea.

Throughout the year, López Portillo would organize other leaders around the world behind this proposal, a conception

which he put forward as the counter to attempts to seize Mexico's oil for a regional Common Market scheme.

In a Sept. 2, 1979, address to the United Nations dedicated to the subject, López Portillo outlined a broad plan for the adoption of a world energy plan, including "all nations, both haves and have-nots," which could impose rational parameters for the worldwide regulation of energy production, distribution, and development. This was not to be a supranational accord, but an agreement between sovereign nations to restore stability to, and ensure the development of that most critical of economic factors, energy. "If at Bretton Woods we were able to establish an orderly structure for handling monetary and reconstruction matters, we could today, in this now fully instituted forum, establish a new and more orderly structure for handling energy and resources," he told the UN General Assembly.

He proposed the creation of an international working group, representing oil-producing countries, industrialized, and developing sector oil-importing nations, to prepare specific proposals on ways to ensure the dissemination and transfer of energy technologies, financing for the needy, the establishment of an international energy institute, and so on.

### **LaRouche Goes to Mexico**

A few months prior, in March 1979, LaRouche, accompanied by his wife, Helga Zepp, had made the first of his four trips to Mexico during the last half of the López Portillo Administration. He had been invited to attend the celebrations of the 50th anniversary of the ruling PRI party. At a press conference in Mexico City on March 7, which generated major media coverage, LaRouche, speaking "as a political leader of the United States who represents the tradition of the American Revolution," denounced Carter's policy towards Mexico as "a crime against humanity. It is a policy of genocide" conceived by the likes of Paddock and Ball, who believe there are 20 million too many Mexicans. "Those within the United States who are attacking Mexico now, I denounce, as traitors to the American Revolution," LaRouche declared.

"There was no exaggeration, no diplomatic rhetoric in the agreement between President Giscard of France and President López Portillo: that the choice of the world today is between the new world economic order or apocalypse. . . . It was important to me to take this opportunity to be in Mexico at this time, because, although the government is not a power by the ordinary standard of world powers, it is at this moment, one of the most important moral forces in the world, and . . . one of the leading forces of the new world economic order on behalf of developing nations."

The charge would not be forgotten. Over a year later, on Aug. 11, 1980, in the midst of the U.S. Presidential campaign, the major Mexico City newspaper *El Heraldo* published an eight-column banner front page story: "Brzezinski Tries to Destabilize Mexico: LaRouche." In it, *El Heraldo* reproduced extensive excerpts of the 1980 draft Democratic Party pro-



*Lyndon LaRouche tours the Pyramids at Teotihuacan in 1979. Visiting Mexico four times during the last half of the López Portillo Administration, LaRouche supported Mexico's "moral force" in the world, and opposed the Carter Administration's "policy of genocide." In 1982, LaRouche issued Operation Juárez, a book-length proposal for Ibero-American development.*

gram of then Democratic Presidential pre-candidate LaRouche, in which LaRouche again documented Brzezinski's efforts to implement the "Paddock Plan" for Mexico. The ultimate purpose of Brzezinski's actions, LaRouche charged, was to keep Mexico in maximum economic backwardness, induce a process of "Iranization," and through the resulting destabilization, take control of Mexico's oil.

*El Heraldo's* coverage, followed up by five additional columns and editorials over the succeeding two weeks, sent shock waves through Mexican political circles which were felt all the way back to the United States.

By this time, the Brzezinski-Carter Administration had begun to knock off various of Mexico's potential international partners. Japan was now led by Prime Minister Masayoshi Ohira, who represented the historically British-allied faction in the Japanese elite. Ohira was scheduled to visit Mexico on May 1, 1980, to sign the long-sought oil-for-technology deal first discussed in 1978. The Carter Administration was pressuring Japan to break ties with Iran, from which it got 10% of its oil, while López Portillo's government was offering to triple oil sales to 300,000 barrels per day, provided that Japan agreed to help Mexico meet its capital goods needs, including construction of entire new industrial ports. Natural Resources Minister De Oteyza had just been in Japan, to work out details for multi-billion dollar investments.

Carter "invited" Ohira to pay a 24-hour visit to Washington first. *EIR's* Washington sources reported that the message to Japan was that Mexican oil had become a vital part of the strategic "reserves" available to the "Western alliance," and therefore "bilateral" relations with Mexico must be subjected to "multilateral, strategic" considerations.

Ohira, accompanied by his Foreign Minister Saburo Okita, a member of the Club of Rome and Brzezinski's Trilateral Commission, managed in two days, to sink three years of negotiations, and come away from Mexico empty-handed. Ohira stated that "oil provisions have nothing to do with Japanese investment." He praised the GATT (which six weeks earlier Mexico had refused to join), called for expanding the powers of the IMF, and attacked developing nations which used their raw materials to achieve political goals! The upshot: Mexico would not increase its oil sales by even one barrel a day, and Japan provided a total of a \$1 million credit—for the Mexican-Japanese Friendship Society.

### **The Next Battle: Could Reagan Be Won Over?**

The ouster of the Brzezinski-Carter administration in the November 1980 elections, however, opened a new opportunity for LaRouche and those allied in the international battle for a return to a productive economic system. True, President Ronald Reagan's cabinet was stacked with representatives of the same utopian financier interests which Brzezinski, Schlesinger, and Kissinger served. Kissinger toady Al Haig, served as Reagan's initial Secretary of State, only to be replaced in May 1982 by chief economic hit man George Shultz himself; Merrill Lynch CEO Donald Regan ran the Treasury Department; and Shultz's Bechtel buddy, Caspar Weinberger, served as his Secretary of Defense. But Reagan, notwithstanding the ugly warts in his political past, came out of the anti-Kissinger wing of the Republican Party, and his outlook had been shaped in the FDR period. His encounter with LaRouche, during a 1979 New Hampshire Presidential candidates debate, established a contact that would eventually blos-





*Presidents Reagan and López Portillo meet. After the brutal assault on Mexico's development plans by the Malthusian hit men of the Carter Administration, President Reagan again opened the door for a cooperative North-South policy.*

som into President Reagan's stunning March 23, 1983, break with the utopian doctrine of Mutually Assured Destruction with the announcement of the Strategic Defense Initiative.

LaRouche's organizing for the United States to take up Mexico's oil-for-technology offer provoked great interest in circles around the Reagan camp. On Jan. 5, 1981, President-elect Reagan met for three and a half hours with López Portillo, in the border town of Ciudad Juárez, Mexico. *EIR*'s sources on both sides of the border reported that the talks were cordial, and both leaders were pleased. Sources in Mexico told *EIR* that a cooperative approach to North-South relations was agreed upon, and that an understanding was reached whereby Mexico would work with India, Iraq, and other moderate forces in the Third World to contain the influence of the "confrontationist" faction around Cuba's Fidel Castro.

That same day, Jan. 5, Republican Sen. Harrison Schmitt of New Mexico, from the Reagan circle, introduced a bill on immigration to the Senate, entitled the "U.S.-Mexico Good Neighbor Act of 1981," which was endorsed by Reagan intimate, Nevada's Sen. Paul Laxalt. The bill slammed the premises of the Brzezinski-Ball-Paddock genocide policy. The Schmitt bill argued that a solution to the problem of undocumented Mexican workers in the United States, must be based on "strong economic and political cooperation between the United States and Mexico [which] will benefit not only the people of these countries, but will also help to eliminate Western Hemispheric tensions." And, it explicitly rejected any "attempts to seal our vast border with Mexico to the flow of migrants," as a policy "doomed to failure."

Two weeks later, López Portillo visited India, for a week of meetings with his fellow fighter for a New World Economic

Order, Prime Minister Indira Gandhi.

Both of these great world leaders were well acquainted with LaRouche and his work. *EIR* had published an exclusive interview with Gandhi in 1979, in which she discussed the obstacles to her program of developing India through industry and scientific development, and in April 1982, she would welcome the LaRouches again to India. Officials in the López Portillo entourage distributed the Special Report prepared by *EIR* for the trip on "The India José López Portillo Will Find" to the Mexican press corps accompanying the President, a document which was then quoted extensively—without attribution—by numerous Mexican journalists.

The two leaders were happy with their visit. López Portillo toured India's advanced scientific and nuclear facilities; the two countries agreed to exchange Mexican oil technology for India's nuclear technology; and Gandhi agreed with López Portillo's perspective for a world energy plan. Expressing their mutual concerns over the deteriorating world situation and the grave crisis facing the world economy, the two leaders agreed, in their final communiqué, that their two countries were "in a very favorable position to play a new and healthy moderating role in the context of today's turbulent international relations." They reiterated "the urgent need to carry out structural changes in the present international economic system that would guarantee the effective implementation of the new international economic order."

López Portillo, in the same press conference where he reiterated the need for "the creation of a financial system that will allow real transfer of resources" and technology to developing countries, told the Indian press that "we are very optimistic at the attitude of friendship and respect expressed

by Reagan” toward Mexico.

An official Reagan-López Portillo summit was soon set for April 27-28, to be held on the California-Baja California border.

LaRouche was invited back to Mexico in March of that year, as the keynote speaker of the Monterrey Institute of Technology’s annual “International Symposium on Economics.” The address was part of a six-week speaking tour by LaRouche, which took him from Monterrey to Mexico City, and back to Washington, D.C., organizing policy-makers, as noted at the outset of this article, to understand the strategic potential represented by the project for the crash industrialization of Mexico.

“Shaping the outcome of the upcoming Reagan-López Portillo summit is precisely one of my objectives in coming here,” LaRouche told a Monterrey television audience. An oil-for-technology agreement between the United States and Mexico would “represent in principle the model for a new economic order in North-South relations,” he stated in Monterrey. There would be a “change in the global strategic geometry resulting, chain-reaction fashion, from the establishment of such a relationship.”

LaRouche’s visit received prominent coverage in eleven Mexican newspapers, and in some of them, for several days in a row.

LaRouche returned from Mexico on March 26, to address a two-day *EIR* seminar in Washington, D.C., on “The U.S., Mexico and Central America: Conflict or Cooperation?,” attended by more than 100 diplomats, Reagan Administration officials, and members of the business and intelligence communities. “We now have a real strategic possibility for change,” if the United States helps Mexico fill its “shopping list” of high-technology goods, he told the seminar.

Four days later, John Hinkley attempted to assassinate President Reagan.

The López Portillo-Reagan summit was postponed, but as Reagan recovered, it was rescheduled for June 8-9, this time in Washington, D.C. The assassination attempt, however, was a reminder of how determined the financier forces were, that the United States republic not break out of their control, as it had done repeatedly since its founding. And there were many representatives of those interests within the Reagan cabinet, who were determined to return to the policies of a North American Common Market and genocidal immigration controls, in dealing with Mexico.

When the summit finally occurred, both leaders were satisfied, López Portillo “profoundly” so. In bidding farewell to his Mexican counterpart, Reagan spoke of his happiness that their meeting had “led to a closer relationship between our two countries.” We have reached “a basic agreement on the need to strengthen the economies of the lesser developed nations to bring about social and economic development of their peoples,” the U.S. President stated.

Full-scale economic warfare was immediately launched

against Mexico. On July 17, López Portillo told the Mexican public that there was “an international conspiracy” to destroy the Mexican economy, as financiers stripped the country of capital through capital flight. Tearing into “those little bank employees who tell their clients to buy dollars,” he promised to “fight like a dog to maintain a stable peso,” and reminded his fellow Mexicans that while the money markets were ruled by an unjust order, “Mexico is we Mexicans. . . . We who are here, who have our families here, whose destiny is here and who will stay here, are the ones who will make the nation great or small.”

*EIR* reported that David Rockefeller’s Trilateral Commission was leading the assault on the country, with support from the *Wall Street Journal* and Exxon Corporation, the latter which had begun to boycott Mexican oil.

By February 1982, the unrelenting capital flight exploded into a debt crisis, forcing López Portillo to devalue the peso by 28% and impose austerity measures.

U.S. relations with Ibero-America were dealt a severe shock just months later, when Great Britain sent two-thirds of its Navy to wage war against Argentina, after Argentina’s April 2, 1982 reoccupation of its Malvinas Islands. LaRouche had immediately called upon the Reagan government to enforce the Monroe Doctrine, and “prevent European military action in the hemisphere”; the British have no legal claim to the islands, he stated. The Weinberger-Shultz team, however, using the threat of a break-up of NATO treaty agreements, defeated those few within the Reagan camp who argued for U.S. neutrality, and the United States broke its Rio Treaty obligations to its Ibero-American allies, and joined Britain’s war against Argentina.

Coming on top of the debt crisis facing every country in Ibero-America, decades of U.S. relations with Ibero-America were shattered. In mid-May, Henry Kissinger would brag to the Royal Institute of International Affairs in London, that the Malvinas War had pulled the United States back behind British geopolitical colonialism again.

LaRouche, viewed throughout the region as the chief U.S. public figure defending Ibero-America, was invited back to Mexico in May, this time for a personal meeting with López Portillo. LaRouche emerged from their 40-minute private meeting at the Presidential residence, Los Pinos, to answer questions from the 60 journalists present. It was here that he launched his famous call for Ibero-American nations to defend Argentina, and themselves, by dropping the “debt weapon” upon Great Britain, and thus forcing a restructuring of the world economic system. LaRouche would later report that he had told the President that the international bankers were going to move to take Mexico apart piece by piece, and he must expect the crisis to hit not later than September; he also summarized the policy alternatives.

Invited back to Mexico in July for private meetings with other leading Mexican figures, upon his return to the United States, LaRouche wrote his famous *Operation Juárez*, a book-



*López Portillo lays a wreath in honor of Mahatma Gandhi in January 1981, during his week-long visit to India. He and India's Indira Gandhi both were fierce fighters for a New World Economic Order, and both were well acquainted with LaRouche and his work.*

length proposal for how Ibero-America had, at that time, the capability to force the industrialized countries to the negotiating table on the long overdue restructuring of the world financial system, should they unite their forces, declare a joint debt moratorium, and pool the region's then-still-rich resources for their common defense, through an Ibero-American Common Market.

Economic warfare continued unabated against Mexico—until Sept. 1, 1982, when López Portillo announced to the nation in his final State of Union message, that he had just imposed exchange controls, and nationalized the private banking system, and the Central Bank, to defend the country's wealth. He reported that the government had already proven that \$54 billion had been pulled out of the country, and the figure would likely go higher, as officials scrutinized previously private bank records to determine the true figure. The "speculation and rentierism" of those few who produce nothing, but "plunder" those who produce, will end, he said. "Mexico shall live."

Because Reagan was President, and López Portillo was to leave office on Dec. 1, the military threats which otherwise

might have been thrown against Mexico were put on hold, and the "economic hit men" focussed their efforts on ensuring that the next government of Mexico understood that López Portillo's measures were to be reversed, period—which, in fact they were, beginning with incoming President De la Madrid.

On Sept. 30, George Shultz told the United Nations General Assembly that the days of funds for development were over, and the United States would not tolerate opposition to the IMF. "Immediate debt problems are manageable if we use good sense and avoid destabilizing actions, but the magnitude of external debt will almost inevitably reduce resources available for future lending for development purposes. Economic adjustment is imperative, and the International Monetary Fund can provide critical help and guidance," he entoned.

López Portillo, speaking before the same body the next day, answered Shultz. The nations of the world must face reality: Either we change the economic system, or the world will likely enter "a new medieval Dark Age. . . . We cannot fail," he told world leaders. "Not only the heritage of civilization is at stake, but also the very survival of our children, of future generations, and of the human species."

Later, LaRouche associates were told that in his last embattled four months in office, López Portillo had attempted to win over key Ibero-American nations to LaRouche's *Operation Juárez* strategy, calling Argentine President Leopoldo Galtieri and Brazilian President João Baptista Figueiredo to propose that they join Mexico in declaring a debt moratorium.

Their refusal to take the risk of breaking with the ruling system, as LaRouche and López Portillo proposed, ensured that their nations, and the rest of the world, today stand, like Mexico, at the edge of death.

## A Postscript

Undeterred by the character assassination to which he had been subjected by the hit men since his daring actions of 1982 with LaRouche, on December 1, 1998, López Portillo happily agreed to be the official commentator following an address by Helga Zepp-LaRouche to a Mexico City forum at the Mexican Society of Geography and Statistics. His sense of irony had not lost its edge, in his decades out of power. He stated: We were trapped by the international bodies, and so his Administration "misbehaved" with the international bodies, and so were accused of being "populists, etc. Other governments behaved themselves, and the result has been the same. This is what is dramatic: We push the rock to the top of the hill, and when we reach the top, it falls down on us. It is always the system, the environment which stubbornly refuses to understand revolutionary values. . . . Hence, the necessity for [that order] to be reformed."

"It is now necessary for the world to listen to the wise words of Lyndon LaRouche," López Portillo stated.

## LaRouche Spurs Broad Fight Against Bush's Election Theft

by Edward Spannaus

“We’ve got them dead to rights on violations of Federal law, on Voting Rights Act violations,” said Lyndon LaRouche in an interview on a Columbus, Ohio radio station on Dec. 16, in discussing how the Republicans stole the Nov. 2 Presidential election. “That is a crime,” LaRouche continued. “That’s a five-year federal sentence, to be caught doing that crime! Whereas simple vote fraud is more difficult to deal with. *But*, if you go at the criminal violations, which are Federal criminal violations, in terms of election tampering and in terms of Voting Rights Act frauds, then you open up the whole area, you have to investigate the whole territory, in which these crimes have been committed—which means the *entire* question of the vote fraud is now looked at, from that standpoint.”

Since LaRouche, in his Nov. 9 webcast, first called for prosecutions of those who engaged in vote suppression, as violations of the Voting Rights Act (see Debra Hanania Freeman’s testimony, p. 45), the fight against the theft of the Nov. 2 elections has exploded, reflecting a revived sense of combativity within the Democratic Party itself, in contrast to the sense of demoralization which pervaded many circles in and around the Party in the period immediately after the election.

This is seen in the hearings held by House Judiciary Committee Democrats in Washington on Dec. 8, and in Ohio on Dec. 13, in the resolutions proposed and adopted by Kerry Electors in a number of state capitols on Dec. 13, and in the announcement that same day by Sen. Byron Dorgan (N.D.), the chairman of the Senate Democratic Policy Committee, that Senate Democrats will act on their own to carry out oversight and investigations, whenever Republicans attempt to block Congress from carrying out its Constitutional responsibilities. Dorgan said that he expects hearings to be conducted by the Democratic Policy Committee as early as January.

### New England Electors Revolt

Meanwhile, Electors in three states—Massachusetts, Maine, and Vermont—have taken action questioning the validity of the election process, and urging investigations (see *Documentation*). Proposals for Electors to adopt such resolutions were also introduced in other states.

The Maine electors said in a resolution that “Maine’s four electoral votes are meaningless if our sister states cannot hold elections that are fair, accurate, and verifiable.”

The Vermont Electors are in the process of adopting a resolution which cites the House Judiciary Committee members’ inquiries into Ohio election irregularities, as well as the investigation being conducted by the Government Accountability Office (GAO), and which calls upon the Vermont Congressional delegation to object to the Electoral Votes from Ohio and other states in any case where there is “evidence of widespread violations of voter constitutional rights.”

The Massachusetts Electors unanimously adopted a resolution calling for an investigation of voting rights violations and vote fraud in the November elections. The resolution calls on Congress “to investigate all voting complaints that might have any validity,” to “remedy any voting rights violations or electoral fraud verified by its own agents or through the courts,” and to “commit their resources to passage of systemic remedies.”

Tom Barbera, the Massachusetts Elector who introduced the resolution, told Associated Press that “I would like us to go beyond that, and not certify the vote until they complete the votes in Ohio and New Mexico. They have their electors electing the President today, even before they certify the recount.” Barbera had been in Pennsylvania working for John Kerry prior to the elections, identifying and registering voters in the Scranton and Wilkes-Barre areas, and he reports that



*A protest against certification of the Presidential elections in Columbus, Ohio on Dec. 12. Ohio Secretary of State Kenneth Blackwell, who was co-chairman of the Bush-Cheney campaign in the state, did everything in his power to suppress the vote, and has refused to answer questions from 12 members of Congress on the massive Election Day irregularities in his state.*

his life was threatened, and his canvassers were assaulted. “I’ve worked on elections since I was 11 years old and I have never seen anything like this,” he said.

### **Conyers Goes to Ohio**

Five days after he had chaired a Dec. 8 Capitol Hill hearing on vote suppression and irregularities during the Nov. 2 elections in Ohio, Rep. John Conyers (Mich.), the ranking Democrat on the House Judiciary Committee, went to Ohio as he had promised, and chaired a followup hearing in Columbus, in which dramatic new evidence of vote suppression and fraud was presented, at the same time that the Presidential Electors were meeting to cast their votes.

Conyers was joined in the Columbus hearing by Rep. Jerrold Nadler (D-N.Y.), Rep. Tom Strickland (D-Ohio), Rep. Maxine Waters (D-Calif.), Rep. Stephanie Tubbs-Jones (D-Ohio), Ohio State Sen. Ray Miller, and two members of the Columbus City Council. Among the featured speakers were Rev. Jesse Jackson; attorney Cliff Arnebeck, who is the lead attorney in the newly filed lawsuit contesting the Nov. 2 election; and Prof. Bob Fittrakis, publisher of the *Free Press* in Columbus.

“The closer we get to Columbus and the Ohio Presidential election, the worse it looks,” Conyers said in his statement opening the hearing. “Each and every day it becomes increasingly clear that the Republican power structure in this state is acting as if they have something to hide.” Conyers asked why Secretary of State Kenneth Blackwell—also the co-chair of the Bush-Cheney campaign in Ohio—had taken actions to prevent citizens from registering, to prevent registered voters from getting ballots, and to prevent lawful ballots from being counted. He also asked why would

there was no “investigation by the state into the huge Republican effort to disenfranchise minority voters” and into other gross irregularities. “There is no right more precious in our Constitution than the right to vote,” Conyers stated. “That is why I pledge that this investigation will not end and we will not go away until these questions are answered.”

### **‘Texan’-Style Intimidation**

Witness testimony provided further documentation of the extent of voter disenfranchisement and fraud.

Explosive new evidence was presented concerning a group calling themselves the “Texas Strike Force,” which had checked into a local Holiday Inn, where their accommodations were paid for by the local Republican Party. They

were using pay phones to make intimidating calls to former prisoners who had had their voting rights restored, telling them that they would be reported to the FBI and arrested if they attempted to vote, and sent back to jail. These calls constitute a felony violation of the Voting Rights Act, punishable by up to five years in prison.

Two days later, on Dec. 15, Conyers sent a letter to the FBI and to the Hocking County Prosecutor, asking for a criminal investigation of apparent tampering with computerized voting equipment in anticipation of the scheduled recount. Conyers referred to “inappropriate and likely illegal election tampering,” involving a technician for the Triad company which provides computer tabulators for the elections. According to a witness cited by Conyers, the Triad representative “advised the election officials how to manipulate the machinery so that the preliminary hand recount matched the machine count.”

*EIR* has been advised that that allegations of criminal conduct in and around the Nov. 2 elections have been taken to a number of local and Federal prosecutors. Criminal violations of the Voting Rights Act and election laws are likely to figure heavily in challenges that are being prepared to the certification of the Electors from Ohio and possibly other states, when Congress meets in joint session on Jan. 6 to receive the Electoral Votes for the Presidential election. When the Electoral Votes are opened, objections can be made against the validity of those votes; if an objection is made by one member each of the House and the Senate, the counting of Electoral Votes ceases until the objections have been considered by both the House and the Senate, which withdraw into separate sessions for that purpose.

### Massachusetts Electoral College Resolution

*This resolution was passed by the Massachusetts Electoral College on Dec. 13, 2004. The text was supplied by the Office of the Secretary of the Commonwealth of Massachusetts.*

I hereby motion that we, the duly sworn electors of Massachusetts, call on Congress and especially the honorable members of our Massachusetts Congressional Delegation as follows:

Whereas we believe that as electors, we have a unique opportunity and obligation to ensure that justice does not again become so delayed as to be denied,

We call on the Congress of the United States and most especially our own honorable representatives, and members of the Massachusetts Congressional Delegation to:

1. Act to commit Congress to investigate all voting complaints that might have any validity that they receive;
2. Act to commit Congress to remedy any voting rights violations or electoral fraud verified by its own agents or through courts;
3. File in Congress and commit their resources to passage of systemic remedies.

### Maine Electoral College

*This resolution was passed by the Electoral College of Maine on Dec. 13, 2004.*

We, the duly sworn electors of Maine, enter the following statement into the record as a sense of the body:

Whereas we recognize that many of the recommended election reforms being called for are already implemented in Maine, that:

We have Election Day registration in Maine.

We have the Clean Elections system, which has increased voter choice and accountability.

We have a paper trail for ballots.

And we have early voting provisions.

Wherefore, the citizens of Maine should be proud that we have possibly the fairest elections in the nation.

Whereas we nevertheless recognize that Maine's four electoral votes are held meaningless if our sister states cannot hold elections which are fair, accurate, and verifiable,

We are proud today to represent the citizens of Maine and

cast our votes on their behalf for Senators John Kerry and John Edwards.

### Vermont Electoral College

*This resolution by Vermont's three electors is to be released Dec. 20.*

WHEREAS our democracy depends on fair elections; and  
WHEREAS troubling questions have been raised about the integrity of Ohio's 2004 presidential election by many members of Congress; and

WHEREAS the Ohio vote was marred by significant irregularities, discrepancies, anomalies, and other problems as disclosed by U.S. Representative John Conyers, and a number of members of the House Judiciary Committee and elsewhere in the Congress, and

WHEREAS the Government Accountability Office is undertaking a systematic and comprehensive review of election irregularities in Ohio, Florida, New Mexico, and certain other states, the Congress having received about 57,000 complaints about voting machine breakdowns, inaccuracies, intimidation, suppression, and other and similar violations of voter rights, and

WHEREAS unequal and discriminatory voter access and treatment, as may have occurred in Ohio and elsewhere, violate the Equal Protection guarantee of the Constitution's Fourteenth Amendment and would call into question the validity of Elector certification from Ohio and certain other states under the Electoral Count Act (3 U.S.C. §5) and the teachings of *Bush v. Gore*, and as a result the Congress could decide that Elector votes from Ohio and certain other states were not "regularly given" by properly certified Electors under the Act (3 U.S.C. §15), and

WHEREAS the Congress could determine the validity of Electoral College votes from Ohio and certain other states following receipt by the Senate President of Objections from at least one member of the House and one member of the Senate, and

WHEREAS as citizens and Electors, we are committed to fair elections and equal voting rights for all,

THEREFORE IT IS RESOLVED that that Senators Jeffords and Leahy and Representative Sanders: (1) give due and sufficient consideration to the results of the ongoing investigation of voting irregularities in Ohio's 2004 Presidential election; (2) support the GAO's inquiry into and review of thousands of reports of systemic and other 2004 voting and election deficiencies; (3) sponsor or otherwise support legislation (a) mandating paper records, trails, or backups for all absentee ballots under the Help America Vote Act (HAVA), (b) uniform rules for the issuance and tabulation of provisional and absentee ballots under the Help America Vote Act

(HAVA), and (c) sufficient funding for full and fair implementation of HAVA; and (4) if warranted by evidence of widespread violations of voter Constitutional rights in the 2004 election in Ohio and certain other states, as now appears, under 3 U.S.C. §15 on the ground that such Electoral certifications are invalid and that, as a result, these Electoral votes were not regularly given by qualified, legal elections.

---

## Testimony of Debra Hanania Freeman

---

### Preserving Democracy: What Went Wrong in Ohio?

*This testimony of Debra Freeman, national spokeswoman for Lyndon LaRouche and the LaRouche PAC, was presented to Dec. 8, 2004 hearings in Washington, D.C. on vote fraud, convened by Rep. John Conyers. Subheads have been added.*

On behalf of Lyndon LaRouche and the LaRouche PAC, as well as the tens of thousands of American voters who found themselves disenfranchised on Election Day, I'd like to take the opportunity to thank Chairman Conyers and the members of the panel for holding this crucial forum and putting a spotlight on the grave violations of the U.S. Constitution that occurred in this 2004 Presidential election.

During a webcast forum that was held here in Washington, D.C., on Nov. 9,<sup>1</sup> Lyndon LaRouche declared that, "Those Republicans who engaged in voter suppression around the Nov. 2 Presidential elections are guilty of the crime of violation of the Federal Voting Rights Act and of the U.S. Constitution. LaRouche said that, "from a Constitutional law standpoint, what was made was a not-so-cold coup d'état against the United States Constitution."

"Voter suppression—that's tyranny!" LaRouche charged. "That's dictatorship. . . . What is pouring in, in terms of evidence, day by day, is the evidence of a massive fraud by the Republican Party, which amounts to practically a criminal conspiracy."

In response to a number of questions about the fraud and irregularities in the elections, LaRouche said that the Republicans had taken advantage of the fact that the Democratic Party had not mobilized sufficiently among the lower 80% of the population, instead still orienting way too much toward the suburban "swing" voters, as it has in recent elections. To defeat the fraud being planned by the Republicans, required

---

1. More extensive remarks by Mr. LaRouche on voter suppression can be found on the LaRouche PAC website, [www.larouchepac.com](http://www.larouchepac.com), both in his Nov. 9 speech, and in an address to the LaRouche Youth Movement in Seattle on Dec. 4.

that the Democrats organize a landslide, but only the forces around LaRouche and those working with us, mobilized in this manner.

But otherwise, the Democratic Party was the "sitting duck party," LaRouche said, and was totally unprepared for the criminal operations that the Republican Party was planning.

### Voting Rights Act Violations

The very fact of voter suppression is a violation of the Voting Rights Act, LaRouche said, and we should go from that, to look at the secondary crimes that were committed. Referring to Ohio Secretary of State Kenneth Blackwell, LaRouche said that the Republicans "had this guy, this so-called African-American . . . saying he's in charge of the vote suppression program!" LaRouche said that this is an admission of a crime, adding: "It's a violation of Federal law, and I would go after that because a coup was run against the American people and the Constitution, by a violation of that law."

LaRouche elaborated: "Voter suppression is subversion, and a party that engages in voter suppression, the officials of that party who engage in that and those who knowingly cooperate in that program, are guilty of a crime, of violation of the Voters Rights Act, and they should be imprisoned for the relevant period of time, and they should be squeezed for all it's worth. . . . What we have to do is take the moral high ground of authority, and say, well, you guys committed a crime. You allowed a crime to go on, called vote suppression. You were trying every pretext in the world to suppress the votes of people, known groups of people, and you were targeting on a racialist and similar basis. It's a crime. And I would say to these, let's start from the strong point that we have. We have a lot of evidence of irregularities, a lot of evidence of corruption. Things that could not have happened by accident. And therefore, let's start with what we've got the goods on these guys for. They engaged in a systemic voter suppression action. That had an effect on the vote. Therefore, you guys are guilty of a crime! Say, good morning, judge."

I should note here that Mr. LaRouche's full remarks on voter suppression are included in the video archive and written transcript of his Nov. 9 webcast address, which is available on the LaRouche PAC website <http://www.larouchepac.com>.

### LaRouche: All-out Battle Against Voter Suppression

In a statement he released on Dec. 6, Mr. LaRouche called on Democrats, and others, to start their battle against the insane, unconstitutional Bush Administration with an all-out battle against the voter suppression carried out by the Republicans in the Nov. 2 election. Reiterating his statement during his Nov. 9 webcast, he charged that the Republicans had carried out a "not-so-cold coup" against the Constitution, by violating the Voting Rights Act with a policy of voter suppression, particularly among expected Kerry voters.

At the same time, LaRouche identified George W. Bush's

plans to rip off Social Security through privatization, as the second major focal point for a mobilization to salvage the country, from the dangers presented by the insane second Bush Administration. Bush's privatization plans, will, as currently estimated by the Congressional Budget Office, create a \$2 trillion hole in the system, and require the cutting of benefits up to 45%.

"With these two national focal points of mobilization," LaRouche said, "we have the best chance to revitalize the American political system, both by rebuilding the Democratic Party as an effective force, and building relationships between Democrats and those traditional Republicans, who understand the danger which George W. Bush's election, and lies, represent for our nation."

Mr. LaRouche has enthusiastically supported leading Democrats, like Rep. John Conyers (D-Mich.), who are collecting the evidence of voter suppression, and has urged that that evidence be used to bring criminal charges, and jail those who committed this Federal crime. He has further urged that the evidence be compiled, to be presented to the full House and Senate on or before Jan. 6—which is when Congress meets in Joint Session to certify the Electoral College votes.

To understand the type of mobilization which is needed, I think it is worth recalling what happened four years ago. In a webcast held by LaRouche on Jan. 3, 2001, a member of the Congressional Black Caucus (CBC) posed a question about the pending nomination of John Ashcroft as U.S. Attorney General. LaRouche insisted that the Congress had to use every means at its disposal to block the Ashcroft nomination, because it signalled the intent to launch a coup against the Constitution. LaRouche explained that Hitler's ultimate consolidation of power in 1933, after his rise to the Chancellorship, came as a result of a series of emergency measures crafted by Nazi jurist Carl Schmitt. Those measures were enacted under the pretext of the Reichstag fire, which burned the German parliament building, and Hitler's dictatorship was thereby firmly established.

LaRouche's startling reponse reverberated through Washington, and especially the CBC, and thus, when the time came for Bush's election to be certified by the Congress a few days later, members of the CBC staged a dramatic action on the floor of the Joint Session, rising one after another to object to the Florida electoral vote, citing the history of the civil rights movement and the Voting Rights Act. Although the Caucus was unsuccessful in persuading a single member of the Senate to support their valiant cause—as is required to allow an objection to an electoral vote to proceed—they captured national attention. Following Bush's certification, the drive to stop Ashcroft grew. By the time his nomination came to the Senate floor, there were a sufficient number of U.S. Senators organized and ready to block Ashcroft's confirmation. At the very last moment, Senate Democratic leader Tom Daschle, in an act of betrayal that probably cost him his Senate

seat in 2004, ordered Democratic Senators to halt their resistance, and confirm Ashcroft.

## Democrats Need to Make a Fight

Today, we are much stronger than we were then. A growing number of Democratic leaders recognized the importance of making a fight on this issue, as LaRouche has specified. One key Democrat noted to me last week, that making a fight on this point—even if it does not succeed in depriving Bush and Cheney of a second term—will deliver a clear and reverberating message, that the synarchists' attempted coup will not be a "cold" one, but that they had better be prepared to deal with people who are prepared to fight back.

I would like to think that with this action today, that message will begin to ring out across our great nation.

Thank you.

---

## Congressmen Intervene

---

### Conyers to Ohio Forum

*Rep. John Conyers, Jr., chairman of the House Judiciary Committee, hosted a Democratic 2004 Election Forum in Columbus, Ohio, Dec. 13. This is his opening statement. The emphasis appears in the original document.*

At the outset of this hearing, I would like to announce that *10 Members of Congress, including myself, have written to Governor Taft asking him to either delay or treat as provisional the vote of Ohio's Presidential electors.* Secretary of State Blackwell's actions have had the result of unduly delaying the initial certification of votes so that any recount and other litigation could not possibly be completed by Dec. 13. Under these circumstances, law and equity—not to mention the credibility of our democratic system—demand a delay.

*The closer we get to Columbus and the Ohio Presidential election, the worse it looks.* Each and every day it becomes increasingly clear that the Republican power structure in this state is acting as if they have something to hide:

1. Why else would the Secretary of State abrogate Ohio law and *lock down public election records in Green County this weekend?*

2. Why else would Mr. Blackwell—who is also the co-chair of the Bush-Cheney campaign in Ohio—*take position after position to prevent citizens from registering, prevent registered voters from getting ballots, and prevent lawful ballots from being counted?*

3. Why else would Mr. Blackwell *refuse to answer a single one of the 36 questions presented to him by 12 members of Congress?*



4. Why else would Mr. Blackwell unnecessarily delay the certification of the Ohio vote, making a recount impossible by the meeting of the electoral college?

5. Why else would the exit polls, which showed a significant lead for Kerry throughout the day, be so out of whack with the final returns?

6. Why else would there **not be a single investigation by the state into the huge Republican effort to disenfranchise minority voters?** *No investigation into the unprecedented lock down on Warren County? No investigation into the mysterious disappearance of 4,000 votes in Franklin County?*

*There is no right more precious in our Constitution than the right to vote. That is why I pledge that this investigation will not end and we will not go away until these questions are answered.*

## Conyers Letter to Ohio FBI and Prosecutor

*Rep. John Conyers, Jr., wrote Dec. 13 to Mr. Kevin R. Brock, Special Agent in Charge of the Cincinnati FBI office and Mr. Larry E. Beal, the Hocking County Prosecutor in Logan, Ohio, requesting investigation of charges of election tampering by the Triad GSI voting machine company. Here is the text of the letter, without its footnotes. Some punctuation has been added.*

Dear Mr. Brock and Mr. Beal:

As part of the Democratic staff's investigation into irregularities in the 2004 election and following up on a lead provided to me by Green Party Presidential Candidate, David Cobb, I have learned that Sherole Eaton, a Deputy Director of Board of Elections in Hocking County, Ohio, has first-hand knowledge of inappropriate and likely illegal election tampering in the Ohio Presidential election in violation of federal and state law. I have information that similar actions of this nature may be occurring in other counties in Ohio. I am therefore asking that you immediately investigate this alleged misconduct and that, among other things, you consider the immediate impoundment of election machinery to prevent any further tampering.

On Dec. 13, my staff met with Ms. Eaton who explained to them that last Friday, Dec. 10, Michael Barbian, Jr., a representative of Triad GSI, unilaterally sought and obtained access to the voting machinery and records in Hocking County, Ohio, modified the computer tabulator, learned which precinct was planned to be the subject of the initial test recount, and made further alterations based on that information, and advised the election officials how to manipulate the machinery so that the preliminary hand recount matched the machine count. Ms. Eaton first relayed this information to Green Party representatives, and then completed, signed, and notarized an

affidavit describing this course of events, a copy of which is attached.

The Triad official sought access to the voting machinery based on the apparent pretext that he wanted to review some "legal questions" the officials might receive as part of the recount process. At several times during this visit, Mr. Barbian telephoned into Triad's offices to obtain programming information relating to the machinery and the precinct in question. I have subsequently learned that Triad officials have been, or are in the process of intervening in several other counties in Ohio—Greene and Monroe, and perhaps others (see attached).

There are several important considerations you should be aware of with respect to this matter. First, this course of conduct would appear to violate several provisions of Federal law, in addition to the Constitutional guarantees of equal protection and due process. 42 U.S.C. §1973 provides for criminal penalties against any person who, in any election for Federal office, "knowingly and willfully deprives, defrauds, or attempts to defraud the residents of a State of a fair and impartially conducted election process, by . . . the procurement, casting, or tabulation of ballots that are known by the person to be materially false, fictitious, or fraudulent under the laws of the State in which the election is held." 42 U.S.C. §1974 also requires the retention and preservation, for a period of 22 months from the date of a Federal election, of all voting records and papers and makes it a felony for any person to "willfully steal, destroy, conceal, mutilate, or alter" any such record. Further, any tampering with ballots and/or election machinery would violate the Constitutional rights of all citizens to vote and have their votes properly counted, as guaranteed by the Equal Protection and Due Process Clauses of the Fourteenth Amendment to the U.S. Constitution.

Second, the course of conduct would also appear to violate several provisions of Ohio law. No less than four provisions of the Ohio Revised Code make it a felony to tamper with or destroy election records or machines. Clearly, modifying election equipment in order to make sure that the hand count matches the machine count would appear to fall within these proscriptions.

Moreover, bringing in Triad officials into other Ohio Counties would also appear to violate Ohio Revised Code §3505.32 which provides that during a period of official canvassing, all interaction with ballots must be "in the presence of all of the members of the board and any other persons who are entitled to witness the official canvass," given that last Friday, the Ohio Secretary of State has issued orders to the effect that election officials are to treat all election materials as if they were in a period of canvassing, and that "Teams of one Democrat and one Republican must be present with ballots at all times of processing."

Third, it is important to recognize that the companies implicated in the wrongdoing, Triad and its affiliates, are the leading suppliers of voting machines involving the counting

of paper ballots and punch cards in the critical states of Ohio and Florida. Triad is controlled by the Rapp family, and its founder Tod A. Rapp has been a consistent contributor to Republican causes. A Triad affiliate, Psephos Corporation, supplied the notorious butterfly ballot used in Palm Beach County, Florida, in the 2000 Presidential election.

Please respond to me at your earliest convenience through Perry Apelbaum or Ted Kalo of my Judiciary Committee staff. . . .

## Affidavit of Ohio Board Of Elections Deputy Director

*Sherole Eaton, Deputy Director of the Board of Elections in Hocking County, Ohio, signed the following affidavit Dec. 13. A copy of the affidavit was attached to the preceding letter of Rep. Conyers.*

RE: General Election 2004, Hocking County. Triad Dell Computer about 14 years old—No tower.

On Friday, Dec. 10, 2004, Michael from Tri Ad called in the AM to inform us that he would be in our office in the PM on the same day. I asked him why he was visiting us. He said, “to check out your tabulator, computer and that the attorneys will be asking some tricky questions and he wanted to go over some of the questions they may be ask.” [sic] He also added that there would be no charge for this service.

He arrived about 12:30 PM. I hung his coat up and it was very heavy. I made a comment about it being so heavy. He, Lisa Schwartze, Director, and I chatted for a few minutes. He proceeded to go to the room where our computer and tabulation machine is kept. I followed him into the room. I had my back to him when he turned the computer on. He stated that the computer was not coming up. I did see some commands at the lower left hand of the screen but no menu. He said that the battery in the computer was dead and that the stored information was gone. He said that he could put a patch on it and fix it. My main concern was—what if this happened when we were ready to do the recount. He proceeded to take the computer apart, and call his office to get information to input into our computer. Our computer is 14 years old and as far as I know it has always worked in the past. I asked him if the older computer, that is in the same room, could be used for the recount. I don’t remember exactly what he said but I did relay to him that the computer was old and a spare. At some point he asked if he could take the spare computer apart and I said, “yes.” He took both computers apart. I don’t remember seeing any tools and he asked Sue Wallace, Clerk, for a screwdriver. She got it for him. At this point I was frustrated about the computer not performing and feared that it wouldn’t work for the recount. I called Gerald Robinette, board chairman, to inform him regarding the computer prob-

lem and asked him if we could have Tri Ad come to our office to run the program and tabulator for the recount. Gerald talked on the phone with Michael and Michael assured Gerald that he could fix our computer. He worked on the computer until about 3:00 PM, and then asked me which precinct and the number of the precinct we were going to count. I told him, Good Hope #17. He went back into the tabulation room. Shortly after that he stated that the computer was ready for the recount and told us not to turn the computer off so it would charge up.

Before Lisa ran the tests, Michael said to turn the computer off. Lisa said, “I thought you said we weren’t to turn it off.” He said turn it off and right back on and it should come up. It did come up and Lisa ran the tests, Michael gave us instructions on how to explain the rotation, what the test mean, etc. No advice on how to handle the attorneys, but to have our Prosecuting Attorney at the recount to answer any of their legal questions. He said not to turn the computer off until after the recount,

He advised Lisa and I on how to post a “cheat sheet” on the wall so that only the board members and staff would know about it and what the codes rates meant, so the count would come out perfect and we wouldn’t have to do a full hand recount of the county. He left about 5:00 PM.

My faith in Tri Ad and the Xenia staff has been nothing but good. The realization that this company and staff would do anything to dishonor or disrupt the voting process is distressing to me and hard to believe. I’m being completely objective about the above statements and the reason I’m bringing this forward is to, hopefully, rule out any wrong doing.

## Congressmen Query Ohio’s Sec. of State Blackwell

*Rep. John Conyers, Jr. and 11 other Democratic Congressmen from the House Judiciary Committee wrote to Ohio Secretary of State J. Kenneth Blackwell Dec. 2, about the Ohio election irregularities. The text of the letter appears below, without the footnotes. The other signers are Jerrold Nadler (N.Y.), Melvin L. Watt (N.C.), Sheila Jackson Lee (Tex.), Maxine Waters (Calif.), William Delahunt (Mass.), Robert Wexler (Fla.), Tammy Baldwin (Wisc.), Anthony Weiner (N.Y.), Linda T. Sanchez (Calif.), and Zoe Lofgren (Calif.).*

We write to request your assistance with our ongoing investigation of election irregularities in the 2004 Presidential election. As you may be aware, the Government Accountability Office has agreed to undertake a systematic and comprehensive review of election irregularities throughout the nation. As a separate matter, we have requested that the House Judiciary Committee Democratic staff undertake a thorough review of each and every specific allegation of election irregularities

received by our offices.

Collectively, we are concerned that these complaints constitute a troubled portrait of a one-two punch that may well have altered and suppressed votes, particularly minority and Democratic votes. First, it appears there were substantial irregularities in vote tallies. It is unclear whether these apparent errors were the result of machine malfunctions or fraud.

Second, it appears that a series of actions of government and non-government officials may have worked to frustrate minority voters. Consistent and widespread reports indicate a lack of voting machines in urban, minority, and Democratic areas, and a surplus of such machines in Republican, white, and rural areas. As a result, minority voters were discouraged from voting by lines that were in excess of eight hours long. Many of these voters were also apparently victims of a campaign of deception, where flyers and calls would direct them to the wrong polling place. Once at that polling place, after waiting for hours in line, many of these voters were provided provisional ballots after learning they were at the wrong location. These ballots were not counted in many jurisdictions because of a directive issued by some election officials, such as yourself.

We are sure you agree with us that regardless of the outcome of the election, it is imperative that we examine any and all factors that may have led to voting irregularities and any failure of votes to be properly counted. Toward that end, we ask you to respond to the following allegations:

## **I. Counting Irregularities**

### *A. Warren County Lockdown*

On election night, Warren County locked down its administration building and barred reporters from observing the counting. When that decision was questioned, County officials claimed they were responding to a terrorist threat that ranked a “10” on a scale of 1 to 10, and that this information was received from an FBI agent. Despite repeated requests, County officials have declined to name that agent, however, and the FBI has stated that they had no information about a terror threat in Warren County. Your office has stated that it does not know of any other county that took these drastic measures.

In addition to these contradictions, Warren County officials have given conflicting accounts of when the decision was made to lock down the building. While the County Commissioner has stated that the decision to lockdown the building was made during an Oct. 28 closed-door meeting, e-mailed memos—dated Oct. 25 and 26—indicate that preparations for the lockdown were already under way.

This lockdown must be viewed in the context of the aberrational results in Warren County. In the 2000 Presidential election, the Democratic Presidential candidate, Al Gore, stopped running television commercials and pulled resources out of Ohio weeks before the election. He won 28% of the vote in Warren County. In 2004, the Democratic Presidential

candidate, John Kerry, fiercely contested Ohio and independent groups put considerable resources into getting out the Democratic vote. Moreover, unlike in 2000, independent candidate Ralph Nader was not on the Ohio ballot in 2004. Yet, the tallies reflect John Kerry receiving exactly the same percentage in Warren County as Gore received, 28%.

We hope you agree that transparent election procedures are vital to public confidence in electoral results. Moreover, such aberrant procedures only create suspicion and doubt that the counting of votes was manipulated. As part of your decision to certify the election, we hope you have investigated these concerns and found them without merit. To assist us in reaching a similar conclusion, we ask the following:

1. Have you, in fact, conducted an investigation of the lockdown? What procedures have you or would you recommend be put into place to avoid a recurrence of this situation?
2. Have you ascertained whether County officials were advised of terrorist activity by an FBI agent and, if so, the identity of that agent?
3. If County officials were not advised of terrorist activity by an FBI agent, have you inquired as to why they misrepresented this fact? If the lockdown was not as a response to a terrorist threat, why did it take place? Did any manipulation of vote tallies occur?

### *B. Perry County Election Counting Discrepancies*

The House Judiciary Committee Democratic staff has received information indicating discrepancies in vote tabulations in Perry County. For example, the sign-in book for the Reading S precinct indicates that approximately 360 voters cast ballots in that precinct. In the same precinct, the sign-in book indicates that there were 33 absentee votes cast. In sum, this would appear to mean that fewer than 400 total votes were cast in that precinct. Yet, the precinct’s official tallies indicate that 489 votes were cast. In addition, some voters’ names have two ballot stub numbers listed next to their entries, creating the appearance that voters were allowed to cast more than one ballot.

In another precinct, W Lexington G AB, 350 voters are registered according to the County’s initial tallies. Yet, 434 voters cast ballots. As the tallies indicate, this would be an impossible 124% voter turnout. The breakdown on election night was initially reported to be 174 votes for Bush, and 246 votes for Kerry. We are advised that the Perry County Board of Elections has since issued a correction claiming that, due to a computer error, some votes were counted twice. We are advised that the new tallies state that only 224 people voted, and the tally is 90 votes for Bush and 127 votes for Kerry. This would make it appear that virtually every ballot was counted twice, which seems improbable.

In Monroe Township, Precinct AAV, we are advised that 266 voters signed in to vote on election day, yet the Perry

County Board of Elections is reporting that 393 votes were cast in that precinct, a difference of 133 votes.

4. Why does it appear that there are more votes than voters in the Reading S precinct of Perry County?
5. What is the explanation for the fluctuating results in the W Lexington AB precinct?
6. Why does it appear that there are more votes than voters in the Monroe Township precinct AAV?

#### *C. Perry County Registration Peculiarities*

In Perry County, there appears to be an extraordinarily high level voter registration, 91%; yet a substantial number of these voters have never voted and have no signature on file. Of the voters that are registered in Perry County, an extraordinarily large number of voters are listed as having registered in 1977, a year in which there were no federal elections. Of these an exceptional number are listed as having registered on the exact same day: in total, 3,100 voters apparently registered in Perry County on Nov. 8, 1977.

7. Please explain why there is such a high percentage of voters in this County who have never voted and do not have signatures on file. Also, please help us understand why such a high number of voters in this County are shown as having registered on the same day in 1977.

#### *D. Unusual Results in Butler County*

In Butler County, a Democratic Candidate for State Supreme Court, C. Ellen Connally, received 59,532 votes. In contrast, the Kerry-Edwards ticket received only 54,185 votes, 5,000 less than the State Supreme Court candidate. Additionally, the victorious Republican candidate for State Supreme Court received approximately 40,000 less votes than the Bush-Cheney ticket. Further, Connally received 10,000 or more votes in excess of Kerry's total number of votes in five counties, and 5,000 more votes in excess of Kerry's total in ten others.

It must also be noted that Republican judicial candidates were reportedly "awash in cash," with more than \$1.4 million and were also supported by independent expenditures by the Ohio Chamber of Commerce.

While you may have found an explanation for these bizarre results, it appears to be wildly implausible that 5,000 voters waited in line to cast a vote for an underfunded Democratic Supreme Court candidate and then declined to cast a vote for the most well-funded Democratic Presidential campaign in history. We would appreciate an answer to the following:

8. Have you examined how an underfunded Democratic State Supreme Court candidate could receive so many more votes in Butler County than the Kerry-Edwards ticket? If so, could you provide us with the results of

your examination? Is there any precedent in Ohio for a downballot candidate receiving on a percentage or absolute basis so many more votes than the Presidential candidate of the same party in this or any other Presidential election? Please let us know if any other County in Ohio registered such a disparity on a percentage or absolute basis.

#### *E. Unusual Results in Cuyahoa County*

Precincts in Cleveland have reported an incredibly high number of votes for third party candidates who have historically received only a handful of votes from these urban areas. For example, precinct 4F in the 4th Ward cast 290 votes for Kerry, 21 for Bush, and 215 for Constitution Party candidate Michael Peroutka. In 2000, the same precinct cast less than 8 votes for all third party candidates combined.

This pattern is found in at least 10 precincts throughout Cleveland in 2004, awarding hundreds of unlikely votes to the third party candidate. Notably, these precincts share more than a strong Democratic history: the use of a punch card ballot. In light of these highly unlikely results, we would like to know the following:

9. Have you investigated whether the punch card system used in Cuyahoga County led to voters accidentally voting for third party candidates instead of the Democratic candidate they intended? If so, what were the results? Has a third party candidate ever received such a high percentage of votes in these precincts?
10. Have you found similar problems in other counties? Have you found similar problems with other voting methods?

#### *F. Spoiled Ballots*

According to post election canvassing, many ballots were cast without any valid selection for President. For example, two precincts in Montgomery County had an undervote rate of over 25% each—accounting for nearly 6,000 voters who stood in line to vote, but purportedly declined to vote for President. This is in stark contrast to the 2% of undervoting county-wide. Disturbingly, predominantly Democratic precincts had 75% more undervotes than those that were predominantly Republican. It is inconceivable to us that such a large number of people supposedly did not have a preference for President in such a controversial and highly contested election.

Considering that an estimated 93,000 ballots were spoiled across Ohio, we would like to know the following:

11. How many of those spoiled ballots were of the punch card or optical scan format and could therefore be examined in a recount?
12. Of those votes that have a paper trail, how many votes for President were undercounted, or showed no

preference for President? How many were overcounted, or selected more than one candidate for President? How many other ballots had an indeterminate preference?

13. Of the total 93,000 spoiled ballots, how many were from predominantly Democratic precincts? How many were from minority-majority precincts?

14. Are you taking steps to ensure that there will be a paper trail for all votes before the 2006 elections so that spoiled ballots can be individually re-examined?

#### *G. Franklin County Overvote*

On election day, a computerized voting machine in ward 1B in the Gaharina precinct of Franklin County recorded a total of 4,258 votes for President Bush and 260 votes for Democratic challenger, John Kerry. However, there are only 800 registered voters in that Gahanna precinct, and only 638 people cast votes at the New Life Church polling site. It was since discovered that a computer glitch resulted in the recording of 3,893 extra votes for President George W. Bush.

Fortunately, this glitch was caught and the numbers were adjusted to show President Bush's true vote count at 365 votes to Senator Kerry's 260 votes. However, many questions remain as to whether this kind of malfunction happened in other areas of Ohio. To help us clarify this issue, we request that you answer the following:

15. How was it discovered that this computer glitch occurred?

16. What procedures were employed to alert other counties upon the discovery of the malfunction?

17. Can you be absolutely certain that this particular malfunction did not occur in other counties in Ohio during the 2004 Presidential election? How?

18. What is being done to ensure that this type of malfunction does not happen again in the future?

#### *H. Miami County Vote Discrepancy*

In Miami County, with 100% of the precincts reporting on Wednesday, Nov. 3, 2004, President Bush had received 20,807 votes, or 65.80% of the vote, and Senator Kerry had received 10,724 votes, or 33.92% of the vote. Miami reported 31,620 voters. Inexplicably, nearly 19,000 new ballots were added *after* all precincts reported, boosting President Bush's vote count to 33,039, or 65.77%, while Senator Kerry's vote percentage stayed exactly the same to three one-hundredths of a percentage point at 33.92%.

Roger Kearney of Rhombus Technologies, Ltd., the reporting company responsible for vote results of Miami County, has stated that the problem was not with his reporting and that the additional 19,000 votes came before 100% of the precincts were in. However, this does not explain how the vote count could change for President Bush, but not for Senator Kerry, after 19,000 new votes were added to the roster. To

help us better understand this anomaly, we request that you answer the following:

19. What is your explanation as to the statistical anomaly that showed virtually identical ratios after the final 20-40% of the vote came in? In your judgment, how could the vote count in this County have changed for President Bush, but not for Senator Kerry, after 19,000 new votes were added to the roster?

20. Are you aware of any pending investigations into this matter?

#### *I. Mahoning County Machine Problems*

In Mahoning County, numerous voters reported that when they attempted to vote for John Kerry, the vote showed up as a vote for George Bush. This was reported by numerous voters and continued despite numerous attempts to correct their vote.

21. Please let us know if you have conducted any investigation or inquiry of machine voting problems in the state, including the above described problems in Mahoning County, and the results of this investigation or inquiry.

## **II. Procedural Irregularities**

### *A. Machine Shortages*

Throughout predominately Democratic areas in Ohio on election day, there were reports of long lines caused by inadequate numbers of voting machines. Evidence introduced in public hearings indicates that 68 machines in Franklin County were never deployed for voters, despite long lines for voters at that county, with some voters waiting from two to seven hours to cast their vote. The Franklin County Board of Elections reported that 68 voting machines were never placed on election day, and Franklin County BOE Director Mart Damschroder admitted on Nov. 19, 2004, that 77 machines malfunctioned on election day. It has come to our attention that a county purchasing official who was on the line with Ward Moving and Storage Company, documented only 2,741 voting machines delivered through the Nov. 2 election day. However, Franklin County's records reveal that they had 2,866 "machines available" on election day. This would mean that amid the two- to seven-hour waits in the inner city of Columbus, at least 125 machines remained unused on election day.

Franklin County's machine allocation report clearly states the number of machines that were placed "By Close of Polls." However, questions remain as to where these machines were placed and who had access to them throughout the day. Therefore, what matters is not how many voting machines were operating at the end of the day, but rather how many were there to service the people during the morning and noon rush hours.

An analysis revealed a pattern of providing fewer machines to the Democratic city of Columbus, and more machines to the primarily Republican suburbs. At seven out of eight polling places, observers counted only three voting ma-

chines per location. According to the presiding judge at one polling site located at the Columbus Model Neighborhood facility, at 1393 E. Broad St., there had been five machines during the 2004 primary. Moreover, at Douglas Elementary School, there had been four machines during the spring primary. In one Ohio voting precinct serving students from Kenyon College, some voters were required to wait more than eight hours to vote. There were reportedly only two voting machines at that precinct. The House Judiciary Committee staff has received first-hand information confirming these reports.

Additionally, it appears that in a number of locations, polling places were moved from large locations, such as gyms, where voters could comfortably wait inside to vote, to smaller locations where voters were required to wait in the rain. We would appreciate answers to the following:

22. How much funding did Ohio receive from the Federal government for voting machines?
23. What criteria were used to distribute those new machines?
24. Were counties given estimates or assurances as to how many new voting machines they would receive? How does this number compare to how many machines were actually received?
25. What procedures were in place to ensure that the voting machines were properly allocated throughout Franklin and other counties? What changes would you recommend be made to insure there is a more equitable allocation of machines in the future?

#### *B. Invalidated Provisional Ballots*

As you know, just weeks before the 2004 Presidential election, you issued a directive to county election officials saying they are allowed to count provisional ballots only from voters who go to the correct precinct for their home address. At the same time, it has been reported that fraudulent flyers were being circulated on official-looking letterhead telling voters the wrong place to vote, phone calls were placed incorrectly informing voters that their polling place had changed, "door-hangers" telling African-American voters to go to the wrong precinct, and election workers sent voters to the wrong precinct. In other areas, precinct workers refused to give any voter a provisional ballot. And in at least one precinct, election judges told voters that they may validly cast their ballot in any precinct, leading to any number of disqualified provisional ballots.

In Hamilton County, officials have carried this problematic and controversial directive to a ludicrous extreme: they are refusing to count provisional ballots cast at the correct polling place if they were cast at the wrong table in that polling place. It seems that some polling places contained multiple precincts which were located at different tables. Now, 400 such voters in Hamilton county alone will be disenfranchised as a result of your directive.

26. Have you directed Hamilton County and all other counties not to disqualify provisional ballots cast at the correct polling place simply because they were cast at the wrong precinct table?

27. While many election workers received your directive that voters may cast ballots only in their own precincts, some did not. How did you inform your workers, and the public, that their vote would not be counted if cast in the wrong precinct? How many votes were lost due to election workers telling voters they may vote at any precinct, in direct violation of your ruling?

28. Your directive was exploited by those who intentionally misled voters about their correct polling place, and multiplied the number of provisional ballots found invalid. What steps have you or other officials in Ohio taken to investigate these criminal acts? Has anyone been referred for prosecution? If so, what is the status of their cases?

29. How many provisional ballots were filed in the Presidential election in Ohio? How many were ultimately found to be valid and counted? What were the various reasons that these ballots were not counted, and how many ballots fall into each of these categories? Please break down the foregoing by County if possible.

#### *C. Directive to Reject Voter Registration Forms Not Printed on White Uncoated Paper of Not Less Than 80 lb Text Weight*

On Sept. 7, you issued a directive to county boards of elections commanding such boards to reject voter registration forms not "printed on white, uncoated paper of not less than 80 lb. text weight." Instead, the county boards were to follow a confusing procedure where the voter registration form would be treated as an application for a form and a new blank form would be sent to the voter. While you reversed this directive, you did not do so until Sept. 28. In the interim, a number of counties followed this directive and rejected otherwise valid voter registration forms. There appears to be some further confusion about the revision of this order which resulted in some counties being advised of the change by the news media.

30. How did you notify county boards of elections of your initial Sept. 7 directive?

31. How did you notify county boards of elections of your Sept. 28 decision to revise that directive?

32. Have you conducted an investigation to determine how many registration forms were rejected as a result of your Sept. 7 directive? If so, how many?

33. Have you conducted an investigation to determine how many voters who had their otherwise valid forms rejected as a result of your Sept. 7 directive subsequently failed to re-register? If so, how many?

34. Have you conducted an investigation to determine how many of those voters showed up who had their

otherwise valid forms rejected to vote on election day and were turned away? If so, how many? . . .

*Carol Moss, against 26 defendants, led by George W. Bush, Richard B. Cheney, Karl C. Rove, Bush-Cheney '04, Inc., and J. Kenneth Blackwell, the Ohio Secretary of State.*

## Blackwell's Reply

*Ohio Secretary of State J. Kenneth Blackwell replied to the above Congressional letter on Dec. 14. Here are excerpts from his letter.*

My office will scrupulously review and assist in any matters referred to us by the Government Accountability Office or the Department of Justice in relation to Ohio election activities. I appreciate the concerns raised by some members of the U.S. House of Representatives Committee on the Judiciary and the interest in reviewing election issues raised at the state level. However, I strongly believe that Congress has already designated the Government Accountability Office and the Department of Justice to review election activities and empowered them with the authority to thoroughly investigate any matters brought forward by Ohio citizens. My office continues to be available to participate as needed in that process. . . .

## Conyers: Stop Stonewalling!

*From the Dec. 14 reply to Secretary Blackwell by Rep. John Conyers, Jr.:*

Your refusal to answer the 36 questions we posed to you is unfortunate and part of a pattern of decisions that have worked to obstruct and stonewall a search for the truth about Ohio voting irregularities. If these allegations are as obviously baseless as you have claimed, it would seem that you could perform a public service by dispelling them. The voters deserve no less.

I, therefore, renew my request for you to respond to these inquiries and remain faithful to the commitment you made, through your spokesman, to assist our search for the truth.

---

## Suing To Stop Bush Certification

---

## Forty Ohio Voters File An Election Lawsuit

*What follows are excerpts from a lawsuit filed on Dec. 13, in the Supreme Court of Ohio, contesting the certification of the Presidential election results in that state. The suit was brought by 40 Ohio voters, led by the Rev. Bill Moss and Ruth*

### Nature of the Action

3. This is an election contest filed pursuant to R.C. A73515.08 et seq. For the reasons set forth herein, the plaintiffs-contestors contest the certification of the election of the electors pledged to George W. Bush and Richard B. Cheney for the offices, respectively, of President of the United States and Vice President of the United States for the terms commencing January 20, 2005. For the reasons set forth herein, the plaintiffs-contestors contest the certification of the election of Thomas Moyer for the office of Chief Justice of the Ohio Supreme Court for the term commencing in 2005. . . .

[The first major section of the suit deals with the exit polls around the state, and the divergence in the official results from those polls—ed.]

85. Knowing that the evidence of the election fraud (the exit polls) would be in plain view for a short period of time, there was a further part of the plan to steal the election, which plan was designed and/or implemented by defendants-contestees Bush, Cheney, and Rove acting through as yet unidentified agents (John Doe, Richard Roe, and Karl Roe 1-100). That part of the plan was to reduce or eliminate the amount of time the fraudulent results would be subjected to serious scrutiny by a well-funded adversary. Accordingly, Andrew Card, an associate of defendants-contestees Bush, Cheney, and Rove, appeared on national television in the very early morning hours of November 3, 2004, to make a very nervous and shaky claim to victory in Ohio. Mr. Card essentially called for a concession and an end to any inquiry into the results.

86. Unconstitutional discrimination served as a smoke-screen to distract attention from vote fraud needed to control absolutely the outcome of the election. The discrimination served to decrease the vote for candidates Kerry and Connally [C. Ellen Connally, Democratic candidate for Ohio Supreme Court Chief Justice—ed.] by an amount which could not be known precisely in advance. The vote fraud served to control precisely in certain critical counties the certified vote for candidates Bush, Cheney, Kerry, Moyer, and Connally by amounts which (when taken in the aggregate) could be known in advance and which would be sufficient to control the outcome of the election.

87. On information and belief, plaintiffs-contestors allege that defendants-contestees Bush, Cheney, Rove and those acting on their behalf (e.g., the as yet unidentified John Doe, Richard Roe, and Karl Roe 1-100), used various means to change fraudulently the legitimate results of the election. While a variety of methods were used to perpetrate the election fraud, of which there is clear and convincing evidence in the form of the exit polls, given the election fraud discussed below, perpetrated or acquiesced in by defendant-contestee Blackwell through the misuse of his official powers and his abuse of the public trust, it is likely that traditional, easily

detectable means were one of the principal methods of the election fraud.

88. On information and belief, plaintiffs-contestors allege that traditional means of vote fraud were used. On information and belief, plaintiffs-contestors allege that unlawful ballots (not cast by a registered voter but merely added to the stack of ballots being counted) were added to those cast by lawful voters, and that lawfully cast ballots were either destroyed or altered (as, for example, by adding a second vote to the one allowed vote for President and thereby invalidating the ballot).

89. On information and belief, plaintiffs-contestors allege that a low-technology traditional form of election fraud occurred in Trumbull County, which has 274 precincts. On information and belief, contestors allege that Dr. Werner Lange conducted a study of the poll books in some 106 precincts in the Trumbull County communities of Warren City, Howland Township, Newton Falls City, Girard City, and Cortland Township. According to the Lange study, 580 absentee votes were cast for which there was no notation of absentee voting in the poll books. These 106 precincts averaged 5.5 fraudulent absentee votes per precinct. If this trend prevailed throughout the 11,366 precincts in Ohio, it would mean that at least 62,513 fraudulent votes were cast in the November 2, 2004 election. The presence of fraudulent absentee ballots also give[s] the Bush-Cheney campaign every reason to prevent interested persons from inspecting the poll books.

90. On information and belief, contestors allege that defendant-contestee Blackwell using his official powers as Secretary of State ordered all 88 boards of election to prevent public inspection of poll books until after certification of the vote on December 6, 2004. This alleged action by the co-chair of the Ohio Bush-Cheney campaign apparently caused violations of R.C. A7A73599.161(B) and (C) and may have caused such violations by every board of elections in the state.

[The next numbered items detail instances whereby minority voters were unable to vote or were denied the right to vote at the polls, concluding with a tabulation of a minimum number of votes which were deducted from the total cast for the Kerry-Edwards ticket, and added to the number of votes cast for the Bush-Cheney ticket—ed.]

101. The number of votes listed above which were deducted from those cast for the Kerry-Edwards ticket and then added to those actually cast for the Bush-Cheney ticket is at least 130,656 votes. In the Certified Results, defendants-contestees Bush and Cheney (as a ticket) received 118,775 more votes than candidates Kerry and Edwards (as a ticket). After correcting for the at least 130,613 votes improperly and unlawfully deducted from those actually cast for the Kerry-Edwards ticket, and the at least 130,613 votes improperly and unlawfully added to those actually cast for the Bush-Cheney ticket, the true result was that the Kerry-Edwards ticket won Ohio by at least 142,537 votes. Accordingly, plaintiffs-contestors seek an order directing the Secretary of State to:

- a. Add at least 130,656 votes to the official total reported in the Certified Results for the Kerry-Edwards ticket,
- b. Deduct at least 130,656 votes from the official total reported in the Certified Results for the Bush-Cheney ticket, and
- c. Issue certificates of election to the Electoral College electors representing the Kerry-Edwards ticket.

104. As set forth below, the conduct of defendants-contestees (other than the electors and defendant-contestee Moyer) resulted in numerous violations of the equal protection provisions of the 14th Amendment to the U.S. Constitution, the voting rights provisions of the 15th Amendment to the U.S. Constitution, and the Voting Rights Act, 42 U.S.C. A71973. These violations affected voting and rendered an erroneous result or rendered the result uncertain because of irregularities in registration, the designation of precincts, the effective denial of the right to cast a provisional ballot and have that provisional ballot counted, the use of absentee ballots, the discriminatory assignment of voting machines to precincts, voting machine errors, improperly discarded ballots, and intimidation.

105. These constitutional and statutory violations included, but were in no way limited to, the following incidents:

106. In Auglaize County, there were voting machine errors. In a letter dated Oct. 21, 2004, Ken Nuss, former deputy director of the County Board of Elections, claimed that Joe McGinnis, a former employee of ES&S, the company that provides the voting systems in Auglaize County, had access to and used the main computer that is used to create the ballot and compile election results. Mr. McGinnis' access to and use of the main computer was a violation of County Board of Election protocol. After calling attention to this irregularity in the voting system, Mr. Nuss was suspended and then resigned.

107. In Cuyahoga County, there were irregularities in the registration process. The Cuyahoga County Board of Elections botched the registrations of more than 10,000 voters, preventing them from voting.

108. In Cuyahoga County, there were voting machine errors. In precinct 4F, located in a predominantly black precinct, at Benedictine High School on Martin Luther King, Jr. Drive, Kerry received 290 votes, Bush 21, and Michael Peroutka, candidate of the ultra-conservative anti-immigrant Constitutional Party, received 215 votes. In precinct 4N, also at Benedictine High School, the tally was Kerry 318, Bush 21, and Libertarian Party candidate Michael Badnarik 163. On information and belief, plaintiffs-contestors allege that these results were the result of fraud, error, or mistake.

109. In Cuyahoga County, there was an effective denial of the right to cast a provisional ballot and have that provisional ballot counted; 8,099 provisional ballots (about one-third of those cast) have been ruled invalid incorrectly because the voter allegedly wasn't registered or voted in the wrong precinct. In 2000, about 17% were ruled invalid.

110. In Cuyahoga County and Franklin County, there



were voting machine errors with respect to absentee ballots. The arrows on the absentee ballots did not align with the correct punch hole. On information and belief, this led to voters casting a vote for a candidate other than the candidate they intended to support.

111. In Cuyahoga County, voters were misled when they received phone calls incorrectly informing them that their polling place had been changed.

112. In Franklin County, there were reports that about a dozen voters were contacted by someone claiming to be from the County Board of Elections who allegedly stated falsely that the voters' voting location was changed.

113. In Franklin County, there was a discriminatory assignment of more voting machines per registered voter to precincts with more white voters than African-American voters and fewer voting machines per registered voter to precincts with more African-American voters than white voters. The disparate impact of this assignment of voting machines had the effect, if not the intent, of discriminating against African-American voters.

114. In Knox and Hamilton Counties there was a discriminatory assignment of more voting machines to precincts with a majority of white voters than to precincts which had a majority of African-American voters.

115. In Hamilton County, there were voting machine errors when voters could not insert their ballots all the way into certain machines. Initially in Hamilton County, some absentee ballots which omitted the names of candidates John Kerry and John Edwards were mailed to voters.

116. In Hamilton County, voters and vote monitors complained that the Republican precinct judge was questioning every voter about his or her address and "being a jerk about it."

117. In Jefferson County, there were irregularities in the registration process when some challenged voters were not notified that their registration was challenged and their right to vote was in question. Their names were merely published in a nearly unreadable list in the local newspaper.

118. In Knox County, there were not enough voting machines assigned to certain precincts.

119. In Lake County, some voters received a memo on bogus Board of Elections letterhead informing voters who registered through Democratic and NAACP drives that they could not vote.

120. In Lucas County, there was a discriminatory assignment of voting machines to precincts.

121. In Lucas County, there were voting machine errors when technical problems snarled the process throughout the day. Jammed or inoperable voting machines were reported throughout the city. Lucas County Election Director Paula Hicks-Hudson said the Diebold optical scan machines jammed during testing in the weeks before the election.

122. In Mahoning County, there were voting machine errors when, for example, one precinct in Youngstown, Ohio, recorded a negative 25 million votes.

123. In Mahoning County, there were voting machine

errors when 20 to 30 ES&S iVotronic machines needed to be recalibrated during the voting process because some votes for a candidate were being counted for that candidate's opponent.

124. In Mahoning County, about a dozen ES&S iVotronic machines needed to be reset because they essentially froze.

125. In Mercer County, there were apparent voting machine errors. For example, one voting machine showed that 289 people cast (punch card) ballots, but only 51 votes were recorded for president. The county's website appeared to show a similar conflict, reporting that 51,818 people cast ballots, but 47,768 ballots were recorded in the presidential race, including 61 write-ins. It would appear that about 4,000 votes (nearly 7%) were not counted for a candidate.

126. In Miami County (Concord Southwest precinct), voter turnout was a highly suspect and improbable 98.55%. In Concord South precinct, there was a highly improbable 94.27% voter turnout. Miami County election results indicated that 18,615 votes came in after 100% of the precincts had reported. It is statistically suspicious that the extra votes came in at essentially the same percentage for candidates Bush and Kerry both before and after the extra 18,615 votes were counted.

127. In Montgomery County, there were voting machine errors. Two precincts had 25% presidential undervotes. This means no presidential vote was recorded on one-quarter of the ballots. The overall undervote rate for the county was 2%. The undercount amounted to 2.8% of the ballots in the 231 precincts that supported candidate Kerry, but only 1.6% of those cast in the 354 precincts that supported candidate Bush.

128. In Sandusky County, there were voting machine errors when what appeared to be an overcount resulted when a computer disk containing votes was accidentally inserted into the vote tabulating machines twice by an election worker.

129. In Sandusky County, election officials also discovered some ballots in nine precincts were counted twice.

130. In Stark County, there was an effective denial of the right to cast a provisional ballot and have that provisional ballot counted. The Election Board rejected provisional ballots cast at the wrong precinct in the right polling place. In earlier elections, a vote cast in Stark County in the wrong precinct at the proper polling location would be counted.

131. In Trumbull County, a voter in Warren Township precinct D arrived at the polls to discover that someone had already voted in her name. The person who used her name apparently forged her signature and wrote that she lived at a different address. The Board of Elections allowed the registered voter (the second to appear) to cast a ballot.

132. In Warren County, there were irregularities in the counting on Election Night when officials locked down the county administration building and blocked anyone from observing the vote count.

133. In a number of counties (including Franklin and Mahoning), there were numerous reported instances of vote hopping (in which a voter selecting Kerry for President saw the choice displayed on the machine "hop" to Bush for President).

# A Dangerous Game With Ukrainian Sovereignty

by William Jones

Speaking at a hearing of the House International Relations Committee on Dec. 7, Rep. Ron Paul (R-Tex.) called for a General Accountability Office investigation to determine whether U.S. funds had been used to benefit the election of former Prime Minister Victor Yushchenko in recent Presidential elections in Ukraine. Paul was specifically targetting the funding dispersed through the U.S. Agency for International Development, and the National Endowment for Democracy and its constituent bodies, the National Democratic Institute and the International Republican Institute.

“How did this one-sided U.S. funding in Ukraine come about?” Paul asked. “While I am afraid we may have seen only the tip of the iceberg, one part that we do know thus far is that the U.S. government, through the U.S. Agency for International Development (USAID), granted millions of dollars to the Poland-America-Ukraine Cooperation Initiative (PAUCI), which is administered by the U.S.-based Freedom House. PAUCI then sent U.S. government funds to numerous Ukrainian non-governmental organizations,” Paul said.

“This would be bad enough and would in itself constitute meddling in the internal affairs of a sovereign nation. But, what is worse is that many of these grantee organizations in Ukraine are blatantly in favor of Presidential candidate Victor Yushchenko,” Paul said. He also targetted USAID funding for the Western Ukraine Regional Training Center, whose website, Paul said, “features a prominent USAID logo on one side of its website’s front page and an orange ribbon of the candidate Yushchenko’s party and movement on the other. By their proximity, the message to Ukrainian readers is clear: The U.S. government supports Yushchenko.”

Paul also scored George Soros’s Open Society Institute that funds the Ukrainian International Center for Policy Studies, on whose board Yushchenko sits. Paul pointed out that this institute also receives U.S. government funding through PAUCI.

## The Intervention Into the Ukrainian Election

One of the key organizations involved in this “twisted tale” is the neo-conservative American Enterprise Institute. These stalwarts of “free market capitalism” were exuberant over the ruling of the Ukrainian Supreme Court not to allow the certification of the previous run-off election results,

which gave a slight edge to Yushchenko’s opponent, Victor Yanukovich, thus clearing the way for a rerun of the run-off, to be held Dec. 26. At a forum on Dec. 10 in Washington, entitled “Ukraine’s Choice: Europe or Russia?” the American Enterprise Institute organizers were almost ready to break out the champagne. The forum was sponsored by the Institutes’s New Atlantic Initiative, the “Trojan horse” it created to establish a presence in the countries of the former Soviet Union.

Obviously some objections had been raised, perhaps by the delegates of the Ukrainian government also attending the conference, to the provocative title given this event, forcing conference moderator, Radek Sikorski, to publicly apologize for it. He assured his listeners that the real issue was not to force a choice in Ukraine between Russia and the West, but rather to assist the “election process.” In fact, most of the U.S. speakers at the event, aware of the coverage that Congressman Paul’s accusations were getting in the press, tried to bend over backwards in denying any political bias in the distribution of funds to non-governmental organizations in Ukraine.

Although the second round of elections on Dec. 26 may indeed propel Yushchenko into the Presidency, he will have a tough time bringing the country together after a very bitter election battle, a point underlined by many of the speakers at the conference. This task, however, will be considerably hampered by the various games being played by these neo-cons, whose only wish for the “sovereign Ukraine” is to use it as a battering ram against Russia. This policy has been most clearly delineated by that Grand Chessmaster of anti-Russian operations, former Carter National Security Advisor Zbigniew Brzezinski, in his 1997 book, *The Grand Chessboard*. Although not a speaker at the conference (Zbig is preening himself as a “Democratic hawk” rather than a Republican neo-con), he was the chief guest speaker at a reception given the conference participants later that day at Freedom House.

The conference was opened by Paula Dobriansky, the Undersecretary of State for Global Affairs. And, together with Brzezinski, Dobriansky has been mucking about in Ukrainian affairs for quite some time. Being the highest-ranking Ukrainian-American in the Bush Administration perhaps gives her some authority in the eyes of Ukrainian officials, but that is not her sole claim to fame. Even before her appointment as undersecretary, Dobriansky was involved in a long and checkered connection with Ukraine. Her father, Lev Dobriansky, served in Army Intelligence and the Office of Strategic Services during World War II, and during the Cold War, he helped bring into U.S. Intelligence, right-wing Ukrainian figures who had been the chief collaborators with the Nazis. The senior Dobriansky had also been a major player in the World Anti-Communist League (WACL), as well as the Young Americans for Freedom. During the 1950s, he was also integral in setting up the Captive Nations

Committee, whose primary goal was to “roll back” Soviet Communism.

The same year that President Reagan appointed Lev Dobriansky ambassador to the Bahamas in 1983, Paula was taken into the Reagan National Security Council. From the time that the Berlin Wall came down, Paula has tended to follow in her father’s footsteps, both in government and through her work with the National Endowment for Democracy.

But at the Dec. 10 event, even Dobriansky uttered words of caution: “The Ukrainians have taken a stand for democracy. They can now take a giant step, but it is a very delicate situation,” she said. Dobriansky also rejected any claims that the United States was pushing the Yushchenko candidacy. “The United States neither proscribed nor promoted any particular candidate,” she claimed.

### **NGOs Used to Bring Down Governments**

In reality, from the time that the Berlin Wall fell, groups like the NED, both in their Democratic and Republican mold, have used “voter support” NGOs to create the basis for those candidates likely to impose policies on Ukraine compatible with the draconian conditions mandated by the international financial institutions. These conditions included opening up Ukraine’s natural wealth to foreign ownership, and eliminating the social welfare net which had been guaranteed under the Communist governments, and which has not been completely scrapped. When Dobriansky travels to Ukraine (which she has done quite frequently in the last couple of years), she often meets with these “voter support” groups financed by the NED before she meets with Ukrainian government officials!

The NED and its constituent organizations, the International Republican Institute and the National Democratic Institute, have a professional cadre of “voter support” groups who can travel from country to country in their attempt to unseat governments which have not “gotten with the program.” Ronald Asmus, a former Assistant Secretary of State for European Affairs and now a private citizen, was actively involved in some of these “get-out-the-vote” operations, and he commented during one panel at the New Atlantic Initiative event, that he was proud to be with the crowd on Independence Square in Kiev recently, with “the veterans from the Georgian and Serbian elections.”

And for the last few years, the NED crowd has been placing its money on Victor Yushchenko. When he was ousted as Prime Minister in 2001 after an unsuccessful scheme to privatize some major Ukrainian companies, Yushchenko was given the “red carpet” treatment on Capitol Hill, with many Senators and Congressmen encouraging him in his endeavors. Yushchenko had already become a darling of the IMF for his efforts as Prime Minister to open up the Ukrainian economy to foreign investment. The no-confidence vote which brought him down led to the stalling

of an expected IMF agreement with Ukraine. Then IMF Managing Director Horst Koehler commented at the time that Yushchenko has “gained a lot of credibility outside of Ukraine, and I think he also deserves support inside of Ukraine.” Later in 2003, when Yushchenko was grooming himself for a run for the Presidency, the International Republican Institute paid for his trip to the United States, where he again met with numerous Senators and Congressmen, as well as with Vice President Dick Cheney.

They may have a lot riding on this horse. As Brzezinski pointed out in comments at an American Enterprise Institute event on Nov. 24: “We can’t exclude Russia from the equation. If democracy succeeds in Ukraine, then Russia must move toward the West.” A more compelling interest for Brzezinski and his cohorts is the fact that Russian oil going to the West passes through Ukraine. If Ukraine could be used as a wedge to restrict that flow, this would directly impact the lifeblood of the Russian economy. In addition, many foreign companies are eager for a piece of some of the Ukrainian industries that might be on the chopping block in any new privatization scheme.

Indeed, given the way the Ukrainian economy has been integrated with the Russian economy, such Western resource grabs would also be a threat to Ukrainian economic interests as well as national security interests. It would be a highly risky venture on the part of a Yushchenko government to agree to such measures, in a situation in which the country has been so bitterly divided, with cries of autonomy coming from various parts of the eastern Russian-speaking part of the country.

Certain comments by Yushchenko’s chief of staff, Victor Rybachuk, in response to a question from *EIR* at the Dec. 7 seminar, give some reason for concern. When asked how his chief intended to bring the country together, were he to win the Dec. 26 run-offs, especially as regards his economic policy, Rybachuk praised Yushchenko as “the best macroeconomist in the country.” Although insisting that his boss is “still remembered as the best Prime Minister,” in spite of his ouster on a no-confidence vote, Rybachuk criticized the previous “privatization” of Ukrainian industry. “Yushchenko is in favor of an open and fair privatization,” Rybachuk said, announcing that Ukraine under Yushchenko would be “an open paradise for investors.” “In fact,” he added, “we have been talking to many mega-investors, whose only reticence towards investing in Ukraine has been the Kuchma regime.”

Many countries not far distant from Ukraine would bear strong testimony that what may be a “paradise” for investors often turns out to be a living hell for the subject population. Were he to be elected President, Yushchenko would be wise to look to the real crying needs of the Ukrainian people, before heeding the ill-starred advice coming from these Western political elements obsessed with the idea of using “Ukrainian sovereignty” as a pawn in their game of geopolitical chess with a thermonuclear power.

# GOP Rams Through Police-State Bill

by Carl Osgood

The Intelligence Reform bill that passed the Congress on Dec. 7 and 8 is yet another textbook example of how the Republican leadership rams through legislation without giving members a chance to study it before the vote. Little notice was given to the police-state provisions in the bill until after it was passed. Instead, most of the attention was focussed on bickering over what authority the new Director of National Intelligence will have with respect to the intelligence agencies in the Pentagon. Once House Armed Services Committee chairman Duncan Hunter (R-Calif.) was satisfied on that question, the bill passed easily with too little debate.

Sen. Robert Byrd (D-W.Va.), fulfilling his role as the conscience of the Senate, warned his colleagues that the people are robbed of their voice and their government, when their elected representatives “allow themselves to be coerced into a process that encourages the abdication of our responsibility to understand and fully debate and thoroughly review legislation. . . .”

Clearly, no thorough debate happened, given that the Senate had received the 615-page conference report less than 24 hours before the vote. “We allow ourselves to be lulled into the fallacious belief that we must accept this bill or risk it not passing next year, with some even suggesting a terrorist attack could result from it,” Byrd said. He noted that although the bill was going to overwhelmingly pass the Senate, “nobody can say with any confidence or certainty as to how this new layer of bureaucracy will affect our intelligence agencies or the security of the country.” Nobody knows whether it will actually enable the government to better defend against terrorist attacks, he added. “We are failing, in yet another misguided rush to judgment, to take the time and effort to find out.” Byrd was one of only a handful of Democrats who were willing to challenge this freight train, however, as the bill passed the House 336 to 75, and the Senate 89 to 2.

The front end of the bill is the intelligence reforms, based on the recommendations of the 9/11 Commission. It gives the Director of National Intelligence policy and budget authority over all the intelligence agencies, except for command and control over those agencies in the Pentagon. It eliminates the wall between foreign and domestic intelligence, by defining “national intelligence” as any intelligence relating to national security, “regardless of the source from which derived and including information gathered within or outside the United States. . . .”

Rep. David Obey (D-Wisc.) argued that “in merging domestic and foreign surveillance operations, the bill does not sufficiently protect ordinary Americans from the mistakes of big government.” He said the privacy board created by the bill will do little to protect innocent citizens “or to address specific grievances that may arise. That will come back to haunt us, just as certain aspects of the Patriot Act have.”

Many observers have pointed out that a number of the police-state provisions in the bill were originally part of the draft Patriot II Act of 2003, which was buried in a blizzard of protest after the draft was leaked to the press. Many of those same police-state provisions were written into the Intelligence Reform bill to overcome problems that the Justice Department encountered in attempting to prosecute alleged terrorists. This includes a provision tightening the definition of “material support to terrorist groups,” after a Federal court in California found the existing statute unconstitutionally vague.

Sen. Russ Feingold (D-Wisc.) took issue with a number of the those provisions, although he wound up voting for the bill. One of those provisions amends the 1978 Foreign Intelligence Surveillance Act (FISA) by making subject to that act any non-American person “who engages in international terrorism or in activities in preparation therefore. . . .” Feingold warned that by allowing searches and surveillance under the lower standard of FISA of anyone merely “suspected” of engaging in terrorism, “the bill essentially eliminates the protections of the Fourth Amendment.” Under FISA, a Federal investigator doesn’t have to prove that a crime has been or is about to be committed in order to get a warrant.

Feingold also targeted two other provisions, one that expands the definition of “providing material support” to terrorist organizations, and the other that expands the presumption that bail will be denied in terrorism cases. He reminded the Senate that neither provision had been considered in the Senate, and that the Bush Administration had failed to show how current law is inadequate. Feingold noted that the Justice Department “has a record of abusing detention powers post-9/11 and of making terrorism allegations that turn out to have no merit.”

The bill also establishes national standards for driver licenses, birth certificates, and Social Security cards, which critics charge is tantamount to creating a national ID card system. Rep. Ron Paul (R-Tex.) compared it with the internal passport system of the old Soviet Union. “A national identification card, in whatever form it may take, will allow the Federal government to inappropriately monitor the movements and transactions of every American,” Paul said on Dec. 7. “Nationalizing standards for drivers’ licenses and birth certificates and linking them together via a national database, creates a national ID system pure and simple. . . . Those who allow the government to establish a Soviet-style internal passport system because they think it will make us safer, are terribly mistaken.”

---

## Retired Flag Officers To Oppose Gonzales

A group of retired generals and admirals who were top military legal officers and who are opposed to the nomination of Alberto Gonzales to be U.S. Attorney General, are discussing how to most effectively oppose his confirmation by the Senate, according to the *New York Times* on Dec. 16, and confirmed by a legal source contacted by *EIR*.

The retired officers are focussed on the legal memoranda written and commissioned by Gonzales, as White House counsel, which sanctioned harsh treatment, including torture, of prisoners captured in the war on terrorism. Adm. John Hutson (ret.), who was the Judge Advocate General for the U.S. Navy, said that when Gonzales wrote these memos, he "was not thinking about the impact of his behavior on U.S. troops in this war and others to come. He was not thinking about the United States' history in abiding by international law, especially in the wartime context. For that reason, some of us think he is a poor choice to be Attorney General."

Brig. Gen. James Cullen (ret.) said that Gonzales had ignored the advice of military lawyers who were adamantly opposed to the Administration's legal strategies. "When you create these kinds of policy that can eventually be used against your own soldiers, when we say 'only follow the Geneva Conventions as much as it suits us,' when we take steps that the common man would understand is torture, this undermines who we are supposed to be, and many of us find it appalling."

---

## Schwarzenegger on New Austerity Offensive

The would-be Führer of the United States, current California governor Arnold Schwarzenegger, is renewing his drive for draconian austerity, taking on nurses in the

state, Democratic legislators, and long-established lunch rules for workers.

- The "Governator" backed off his agreement with nursing associations to reduce the work load to five patients per nurse, so it remains at six. Nurses charge that this is a betrayal of his promise to them.

- To defeat opposition from Democratic legislators to his plan for "restructuring" state government by shutting down state agencies and reducing manpower, Schwarzenegger has proposed that a vote by two thirds of the legislators be required to oppose the "reform." This would allow him to impose his fascist restructuring with votes of one third of legislators—which corresponds to the number of Republican legislators in the State Assembly and Senate.

- He attacked a state law which requires a lunch break for workers within five hours of reporting for work. Six hours ought to be allowable, he said.

As to his past failures, the Workmen's Compensation reform he rammed through, which was to reduce costs to small businesses, has proven to be a fraud. Small businessmen who supported Schwarzenegger are getting their new bills, and their premiums are higher than before, the *Los Angeles Times* reported.

---

## 'Faith-Based' ABM System Fails Again

Another test of the U.S. anti-missile missile system failed on Dec. 15, when the interceptor missile never left its launch pad in the Marshall Islands, after a target missile had been sent up from Alaska. Press reports described this as "the first test in two years," which is true enough, but few mentioned that that test two years ago failed also, and that five out of six tests of this antiballistic-missile system have been unsuccessful. This system, for which the Bush Administration solemnly exited the 1972 ABM Treaty, is so ineffective that it bothers no one—the Russian government, for example, looks on it quite calmly. But despite all the test failures, it is being deployed.

The system might thus be considered a

"confidence-building measure," being so inoffensive a defense. Or, perhaps, it has within it the overlooked qualities of a "faith-based" ABM system, in which the miracle of destruction of nuclear-tipped missiles without intercepting them, is accomplished. It does have the virtue of demonstrating Lyndon LaRouche's often-repeated judgment that an ABM system not based on "new physical principles" will never be an effective defense against nuclear attack.

---

## Senate Democrats Seek To Stop Medicaid Cuts

Sen. Jeff Bingaman (N.M.) and 47 members of the Senate Democratic Caucus have signed a letter to the President, expressing their opposition to any proposal that would cut Medicaid, on the grounds that it would ultimately mean low-income families and persons with disabilities would be dropped from the program. The only Senate Democrat who did not sign was outgoing Sen. Zell Miller. According to a press release from Senator Bingaman's office on Dec. 15, the letter said:

"We are writing to express our opposition to any Medicaid reform proposal that seeks to impose a cap on federal Medicaid spending in any form or eliminates the fundamental guarantee to Medicaid coverage for our nation's most vulnerable citizens, including low-income children, parents, pregnant women, people with disabilities, and senior citizens. . . .

"Arbitrary limits on federal Medicaid spending fail to automatically adjust for economic recessions, demographic changes, health care inflation, or disasters, including terrorism. . . . We stand ready to work with you on policies impacting the health and well-being of [eligible recipients], and identifying those structural changes that enhance state flexibility without compromising the health and well-being of beneficiaries.

"With the number of uninsured growing in the nation and an aging population, we should take steps to stabilize and improve health coverage rather than undermine it. . . ."

## China Warns Foreign Exchange And Hedge Fund Speculators

by Mary Burdman

The disastrous financial losses suffered by China Aviation Oil (CAO) in Singapore from speculation on oil price derivatives, have set alarms ringing in China. Just at the time that the Chinese leadership is making unprecedented public statements demanding that the United States take measures to deal with the dollar crash, and warning that they will not give in to pressure from either international financial speculators, or the U.S. and Japanese governments, to up-value China's international currency, the renminbi, against the dollar, came the bad news from Singapore. On Nov. 30, CAO, which is 60% owned by the state enterprise China Aviation Oil Holding Company, had to announce that it had lost some \$554 million on derivatives speculation, and needed court protection from its creditors. CAO Singapore supplies most of the jet fuel used in China.

Now-fired CEO Chen Jiulin had been speculating on a fall in oil prices, just as the prices soared in October. This is one of the biggest derivatives trading disasters since Britain's Barings Bank collapsed in 1995 with \$1.2 billion in losses. The CAO disaster is hardly an isolated case. There are much bigger derivatives collapses just waiting to happen, and some financial analysts point to the really big traders in oil derivatives as "in distress." Chen's speculation risked potential losses of \$3.58 billion in oil futures trading.

Beijing is taking warning, and naming names. A lead commentary in the official *People's Daily* Dec. 11 stated that Chen Jiulin was involved in derivatives trading—"which is just like gambling"—with Japan's Sumitomo Mitsui Banking Co., Britain's Barclays Capital PLC, and Australia's Macquarie Bank. Chen himself told the Singapore court that the French Société Générale "encouraged him to engage in futures transactions with loans on very favorable terms." The whole operation, *People's Daily* emphasized, was against Chinese law.

Dealing in futures for such commodities as grain, oil, and some metals is allowed, but only that.

Chen Jiulin was speculating in oil futures against "an international financial giant 'Hedge Fund,' " the paper quoted Zhou Tianyong, deputy director with the economic research center of the Party School of the Central Committee of the Chinese Communist Party, a leading think-tank. This goes beyond reports in Western press, which said that Deutsche Bank had bought a 15% stake in CAO on Oct. 20, and then immediately sold it to hedge funds.

In Beijing Dec. 13, the state-owned Assets Supervision and Administration Commission (SASAC) changed the agenda of its annual meeting of 310 national company executives to a seminar on financial risks, to discuss the disasters at Enron, WorldCom, Barings Bank, and Yaohan (a Japanese retail group which expanded dramatically outside Japan, especially into the People's Republic of China, but went bankrupt in 1997 during the speculator-provoked Asia financial crisis). As the *People's Daily* commentary concluded, dealing with the current world financial system, without "a perfect supervision and management system, is equal to jumping with open eyes into the fire made by the antagonists for Chinese enterprises."

The speculative oil derivatives trading by CAO was outlawed by an Aug. 1, 1998 directive of China's cabinet, the State Council. This was a critical time, at the height of the financial crisis directed against Asia, when China was preparing for the battle against international currency speculators which it, alone of all Asian nations, was able to win in the spectacular "Battle of Hong Kong" of Aug. 28, 1998. In June 1999, another measure forbidding "over-the-counter futures transactions" was added by the State Council. But the CAO case demonstrates that these measures were not

being enforced, *People's Daily* acknowledged, warning of "the lack of state supervision over its national property and managers."

There is much more at stake for China now than derivatives losses, however spectacular. On Dec. 10, the State Administration of Foreign Exchange (SAFE) announced that speculation on the appreciation of the renminbi will not be tolerated. The SAFE had already been issuing strong warnings since October. "We now seriously warn all speculators engaged in illegal speculative activities that the SAFE . . . will not ignore any activities and evidence of misdeeds that play havoc with the order of our foreign exchange market," a spokesman said in an interview, responding to media reports that as much as \$1 trillion in "hot money" might have gotten into China, speculating on an appreciation of the RMB (renminbi). The RMB has been pegged to the U.S. dollar since 1994.

### The Coming Crucial Year

Beijing is trying to navigate the nation's way through the "very crucial" year of 2005, while this turmoil is going on. On Dec. 3-5, the national leadership held their annual Central Economic Work Conference, for the last year of the 10th Five-Year Plan (2001-05). Key issues discussed were continuing the national "macro-economic control policy," including the sensitive "relationship between the market mechanism and macro-control," and stability of the world's most populous nation. As a *China Daily* commentary of Nov. 23 stressed, with all the international focus on China's economic boom, "economic growth alone cannot clearly show the real picture of a country's development. China has a population of 1.3 billion. Any small difficulty in its economic and social development, multiplied by this figure, could become a huge problem." Per capita, China "is still a low-income developing country, ranking 100th in the world. . . . All China's efforts to resolve problems of development are mainly devoted to creating better lives for its large population. . . . This goal alone will keep several generations of Chinese people quite busy."

China is up against the severe limits of its infrastructure, especially energy and transport, which, despite the nation's "New Deal" policy since 1998, still requires massive investment. An early-December report by the National Reform and Development Commission documented that China is facing its worst energy shortages since the late 1980s. It is now importing almost 40% of its oil, and remains dependent on coal for a full two-thirds of its energy. One result is that China's inadequate railroad system is more and more choked by increased coal transport; worse, China's coal mines, which had always under-invested in safety measures, are death traps, where more than 300 miners have died since late October amidst increasing pressure to produce more and more coal. The real solution, nuclear energy, is only beginning to be developed on any significant scale in China.

### China Not Yielding

The crash of the U.S. dollar and Washington's refusal to even attempt to prevent that, has elicited unprecedented statements from Chinese leaders. China had built up a record \$514.5 billion in foreign exchange reserves by end-September, up \$111.3 billion from the beginning of 2004. This is because of its efforts to sustain the dollar peg, while doubling its international trade in the three years since it entered the World Trade Organization (WTO), to a level of \$1 trillion. In addition, funds have flowed in since 2001, when the U.S. Federal Reserve cut interest rates, to below Chinese rates.

The sinking dollar puts the value of these reserves at severe risk. At the same time, the RMB has fallen against the yen and euro, causing complaints of "unfair" advantages in world trade and demands that China up-value the RMB, as Japan did in the 1985 "Plaza Accord." This led to huge financial bubbles, a crash, and 25 years of recession in Japan—as China is fully aware.

China's leaders are not yielding. Prime Minister Wen Jiabao took Washington on, with the strongest challenge to date, at a press conference in Vientiane, Laos, Nov. 28. "We have to ask a question," Wen said. "The U.S. dollar is depreciating and it is not managed. What is the reason for that? Shouldn't the relevant parties adopt measures?" Wen pointed out the contrast of Chinese policy: "China is a responsible country," he said. "In 1997, during the financial crisis, we maintained the basic stability of the yuan and made the kind of contribution that we should."

"Honestly speaking, the more speculation [about a RMB revaluation] there is in society, the more unlikely it is that the necessary measures can be undertaken," Wen said. "You must consider the impact on China's economy and society and also consider the impact on the region and the world. . . . The most important thing is that we need a stable macro-economic environment, a healthy market mechanism, and a healthy financial system."

Wen Jiabao's statements followed the unprecedented remarks Nov. 23 by Li Ruoguo, deputy governor of the People's Bank of China, the central bank, in an interview with the London *Financial Times*. "China's custom is that we never blame others for our own problem," Li said. "For the past 26 years, we never put pressure or problems on to the world. The U.S. has the reverse attitude, whenever they have a problem, they blame others." Revaluation of the RMB will not solve U.S. economic problems, Li noted. Also, China cannot move "under heavy speculation" and "heavy external pressure." The banking system is not prepared, he added: "Few people even in the banks know derivatives and how to use them."

In what was undoubtedly an ironic assessment of the consequences of Washington's globalization policy, which it has imposed so ruthlessly since the end of the Cold War, Li proposed: "We don't want to run into the U.S. situation of having a trade deficit of 6% of GDP. That is not sustainable. The

appreciation of the RMB will not solve the problems of unemployment in the U.S. because the cost of labor in China is only 3% that of U.S. labor—they should give up textiles, shoemaking, and even agriculture, probably. They should concentrate on sectors like aerospace and then sell those things to us and we would spend billions on this. We could easily balance the trade.”

In more realistic, and much more effective measures, China is expanding its investment abroad as rapidly as possible, as demonstrated by its recent agreements with Argentina and Brazil. This will help the real economies of China and its partners, and bring down the dangerous level of its foreign reserves.

## Hot Money

Estimates of speculative funds getting into China—ranging from \$25-100 billion and even \$1 trillion—are being published every week. Despite its capital and currency controls, which saved China during the Asian crisis, some “hot” funds are getting in. The speculators’ goal is to make a killing on an up-valuation of the RMB, with some making wild claims that a “floated” RMB would shoot up 40% against the dollar. Chinese interest rates are also higher than those in the U.S., but China does not have the derivatives, futures, or other such financial markets which brought the sharks into the so-called Asian “tiger” economies in the 1990s, and its capital controls would make fleeing the country difficult. But the hot money could do a lot of harm, including setting off inflation, and the authorities are taking action.

A spokesman for the Foreign Exchange Administration, in an interview published in the *People’s Daily* Dec. 14, admitted: “We’ve discovered that there are some false reports of import and export prices,” forgeries of payments for trade goods, and “abnormal phenomena” such as “excessive loans and the manipulation of the real estate market,” all of which “have characteristics of speculative arbitrage.” Foreign funds are also going into real estate in the east coast cities. The SAFE will now monitor capital flows more carefully and restrict foreign exchange administration, he told *People’s Daily*. The SAFE also took the opportunity to refute the reports, circulated widely in Western media, that China had decreased its holdings of U.S. assets.

The question whether these dollar reserves do not pose more risks than benefits, has been a big issue in China since the crisis engendered by currency speculators hit Asia in the late 1990s. It has been debated at the highest levels, that China’s real safeguards are its financial controls, not reserves. Currently, the Foreign Exchange Administration indicated that Beijing maintains the view that these reserves are useful to meet “unexpected events,” and prevent “systemic financial risk.” The systemic crisis is already here, in the ongoing crash of the dollar. What China and every other nation needs, is not more prevention, but creation of a new economic system, so that the world can rebuild from the ashes.

## French Senate Study: For A ‘Neo-Colbertist Europe’

A working group of the French Senate’s Economic Affairs Commission has published a report, “For a Neo-Colbertist Europe,” which calls for an immediate reversal of the recent moves toward further deregulation in France. The study’s title refers to Jean-Baptiste Colbert, the Finance Minister for King Louis XIV, who is a symbol of the policy of state promotion of industry and infrastructure.

The study, put together by 15 conservative and socialist Senators, focusses on how outsourcing is affecting the industrial power of France and the European Union as whole. In industry, outsourcing to eastern Europe and Asia has been most widespread. But it is industry which has determined the economic power and wealth of France and Europe—from the times of the Industrial Revolution to the “30 glorious years” of the post-war reconstruction.

The Senate report pleads for rebuilding industrial power in European nations, stating that the state must use whatever means necessary to encourage industrial rebuilding. The report accurately locates the initial erosion of Europe’s industrial base with the first oil shock of 1974. From then on, the industrial model gave way to a service economy. The industrial workforce in France went from 38% to no more than 18% of total employment in 2001, while the service sector expanded massively. Outsourcing contributed to this downward trend in industrial employment.

Even though in absolute terms, industrial outsourcing has not yet taken on massive dimensions in France, it might create dramatic problems of unemployment in particular regions. The Senators note that industrial outsourcing will tend to get worse, because, in addition to low labor costs, there is a well-qualified labor force in eastern Europe, and increasingly, in China and India.

How can France, and Europe, face up to this problem? The Senators’ recommendation is: Stop the “financialization” of the economy which imposes the diktat of short-term profits on firms and undercuts the future of firms and society. The European Central Bank (ECB) needs a new policy orientation, demand the Senators. France is the best in high-technology infrastructure projects: nuclear power, water projects, high-speed railways, and machine building for whole industrial complexes. France must fully reorient in this direction, and invest massively in industry-relevant R&D.

The Senate report, however, does not pose the question directly of how to bury the “Maastricht” scheme of budget restrictions imposed by the European Union, and how to reorganize the present neo-liberal financial system.



## Without New Concepts, Labor Will Lose

*A pragmatic struggle for jobs can't succeed in a collapsing economy. Labor leaders must think big!*

**I**n-depth reform must occur very fast in Germany's labor union bureaucracy. A review of the year 2004 shows numerous occasions in which workers with a combative mind could have won in the fight against large-scale job losses and income cuts. There has been widespread labor unrest in 2004, fueled mostly by concern about the government's plans for new rounds of budget cuts in labor, health, and welfare budgets.

This is why the LaRouche movement's idea to hold Monday rallies beginning in mid-July, as a way of fighting against the government plans and against management outsourcing policies, was the right idea at the right time. The LaRouche forces called for creating 8 million new jobs through large Eurasian infrastructure and technology projects, in the context of a reorganized global financial-monetary system.

Initially not very enthusiastic about the rallies, the labor unions soon joined them, but the union bureaucracy was motivated more by the desire to keep control, than by real commitment to fight.

This problem was also visible in other sectors of the economy, where the organization of effective labor resistance could have torpedoed management plans for widespread cost-cutting at the expense of workers' incomes. Especially in the automobile sector, management blackmailed workers with the threat: "Make concessions on the costs, or we will move the jobs abroad." At Daimler-Chrysler and at Siemens, this blackmail worked, because the metal workers

union and the factory councils agreed to make "pragmatic" concessions in return for a "job guarantee" until the end of this decade which is, however, not worth the ink with which it is written. But at Opel, the German subsidiary of General Motors, things developed in a different way: Confronted with the management's threat to eliminate 10,000 jobs to cut company expenses by 500 million euros per year, auto workers at the Opel plant in Bochum decided to stage a warning strike on Oct. 13. The warning strike lasted for seven days without the labor union bureaucracy being able to do much against it, except containing the strike to Bochum, thus preventing the other three Opel production sites at Rüsselsheim, Eisenach, and Kaiserslautern from staging strikes as well.

The development in Bochum led to a nationwide wave of support—not just among other auto workers, but also workers from other industrial branches. The big Bochum protest rally of more than 20,000 workers and supporters, included delegations of workers from many other regions of Germany. And when, mostly for legal reasons, the warning strike was called off after a week, it was meant to be a mandate for the labor bureaucracy to start fighting in the negotiations with the management that began shortly thereafter.

The labor bureaucracy has not done much with this mandate, but preferred to stay on the pragmatic path, implying that their understanding of a "fight" was that "concessions will have to be made anyway, so let us try to keep them a bit smaller." Appar-

ently not faced with too much pressure from the labor side, the management did not feel compelled to stop delivering ultimatums, and when the deal with the labor was signed on Dec. 13, it still envisaged the reduction of Opel's workforce in Germany by almost a third—9,500 jobs, instead of the 10,000 that had been in the original management script. Of the 9,500 jobs that are to be taken out of production, between 6,000 and 7,000 workers at the plants in Bochum, Rüsselsheim, and Kaiserslautern will be transferred to so-called "rescue companies," where they will be employed doing something that will have little to do with car-making, and will take home 95% of their former pay. The difference between that, and only unemployment compensation, will be covered by 140 million euros from the national unemployment administration—that is, the taxpayer. But the workers will also lose all extra benefits that had been added to their standard wages, which really means a 15-20% wage cut.

But unlike the situation at the other three production sites of Opel, the mood of the workforce in Bochum, where the seven-day warning strike took place in mid-October, is still combative. In the Dec. 13 vote of the Bochum labor factory council, 21 voted in favor of the management-labor deal, but 16 voted against it. This shows that almost half of the workforce is deeply discontented, and that potential for a new strike is there.

Spokesmen for the faction opposing the deal said that new strikes or protest actions next year cannot be ruled out. Although the October warning strike did not yield any direct results, the anti-austerity faction of the auto workers says the strike was important for workers in other firms, to show them that it is worth fighting against austerity.

## Iraqi Elections Planned Amid Danger of Civil War

by Muriel Mirak-Weissbach

Will elections be held in Iraq, as scheduled, on Jan. 30, 2005? Doubts have been cast on this schedule, which the U.S. Administration and the puppet interim Iraqi government have been frantically pushing, and for good reason: The ongoing, escalating guerrilla warfare against the occupation forces, has created what is euphemistically referred to as a “security situation,” under which nationwide polls cannot be held.

Several scenarios have been discussed, including a proposal by the current interim Prime Minister, Iyad Allawi, to stagger the election over weeks in some “troubled” areas. But, unless bona fide elections are held throughout the country, allowing all registered voters to participate, all official results will be considered illegitimate. At the same time, powerful and important political forces inside the country, like the broad Shi’ite coalition supported by Grand Ayatollah Ali Hussein al-Sistani, have insisted that only through national elections, can a legitimate governing body be brought into being with the authority and the courage to demand an end to the illegal occupation.

An American private security specialist recently back from Iraq, has described the actual “security situation” as “worse than Vietnam.” This source, who has had combat experience in Vietnam, Panama, and in other U.S. adventures over decades, explained that in Vietnam, there was a chance of figuring out who the enemy was. In Iraq, he said, 50% of the Iraqis who are apparently working for the government are, in fact, working with the resistance.

As an indication of this, he cited the almost daily attacks, including suicide bombers, occurring near or inside the “green zone,” the area in Baghdad where the interim government and the occupying powers have their headquarters. “This is a zone which is supposed to have a secured perimeter,” he said. “The only way that the insurgents are able to attack, is if they have

someone at a very high level in the security organization that secures the zone. They obviously have inside information about when and where the patrols take place; this is information that changes every day, yet they know the schedule.”

Only a fraction of the military conflict that occurs in Iraq is reported in the media, the source noted. Yet, even massaged media reports show that now, “two U.S. Marines a day” are being killed, and nine times that number are being wounded. The case of Fallujah, the center of the resistance in the so-called “Sunni triangle,” is emblematic. According to a former Russian military intelligence officer, the resistance still controls 70% of the city, which has been obliterated by U.S. aerial bombings and ground combat over the past month. He spoke of a sophisticated underground tunnel and bunker structure, through which the resistance fighters move. In Baghdad, a German military expert said, the occupying powers cannot even control the road to the airport.

This stark reality of an escalating insurgency is gaining the upper hand, and has prompted sundry political figures to put the election date in doubt. Calls for postponing the elections, until they can be properly organized, have come from United Nations special envoy Lakhdar Brahimi, as well as from leading Iraqi Sunni politicians. The most influential Sunni political organization, the Association of Muslim Scholars, which represents 3,000 mosques, has called for a boycott of the elections, on grounds that the Sunni population, in Fallujah and elsewhere, would be disenfranchised.

Furthermore, the Association stresses, there can be no meaningful elections while the U.S. military continues to bomb and kill Iraqis. Adnan Pachachi, a relatively well-respected Iraqi politician, who had served in the Iraqi Governing Council, has called for a postponement. Russian President Vladimir Putin bluntly told visiting Prime Minister Allawi,



*U.S. soldiers in Ar Ramadi, Iraq, Dec. 6, 2004, conduct house-to-house searches after a car bombing. The U.S. occupation has created conditions that make a legitimate election doubtful, and without a representative election, the country could descend into chaos and civil war. Is this what the U.S. neo-cons want?*

that he did not believe that the elections could be held, or could be considered legitimate, given the fact that the “occupation” was continuing.

Sunni leaders who protest that the majority of Sunnis would be left out, are not exaggerating. Again, Fallujah is emblematic: On Dec. 10, BBC issued a grizzly report on the conditions in the ravaged city of 300,000. Citing U.S. military officials, who warned that sewage and rabid animals posed a serious health threat in the city, it said that civilians, most of whom fled before and during the assault, could not be allowed back in. “Many streets are flooded with sewage water,” Red Cross spokesman Ahmad Rawi reported to BBC. He stressed the urgency of identifying “hundreds of bodies” which had been collected and stored by occupation forces in a former potato warehouse. Dogs, which have fed on the corpses, have become disease carriers, and are being shot by occupation troops.

To imagine that the population can return, and line up at the polls to vote at the end of January is a cruel joke. Now, resistance has emerged in other Sunni cities.

### **Wartime Candidacies**

The elections are to select 275 members of a national assembly, which will draft a constitution, and elect a President

and two Vice Presidents.

The electoral lists presented by the Dec. 15 deadline, reflect the ethnic and religious divisions that the war has created in Iraq. This process of “ethnicization,” as Germany’s leading Iraq expert Aziz Alkazaz calls it, is one of the most dangerous developments created since the war, and promoted through the occupation institutions; it has undermined the idea of a national identity, and it could fuel a process of separatism, if not civil war. In fact, while the Kurdish parties in the north have upped their bid for greater autonomy, and even threatened secession, mainly Shi’ite provinces in the south have held talks on the possibility of constituting similar “autonomous” regions.

The Sunni population is numerically a minority, but it has been the ruling layer in the country in recent history, and has been the leading force in the resistance to the occupation. One Sunni group, the Iraqi Islamic Party, has presented a list of candidates. Al-

though most of its people come from the Sunni triangle, the slate is not popular, given that the group had been part of the Iraqi Governing Council, which was considered a collaborator force.

By far the most important slate is the United Iraqi Alliance, backed by Ayatollah al-Sistani. The list has 228 candidates drawn from 22 political parties or groups, among them, the Islamic Daawa Party (a Shi’ite party representing the religious authority), the Supreme Council for the Islamic Revolution (SCIRI), and the Iraqi National Congress, of which Ahmed Chalabi is a member and candidate. The list also includes some Sunnis, Yazidis, and Shi’ite Kurds. Presenting the list to journalists in Baghdad, Ali Adib, an official of the Daawa party, said, “It contains parties and political currents, as well as independent figures of different confessions and ethnic groups, and takes into consideration the demographic and geographic balance in Iraq.” The radical cleric Moqtadar al-Sadr is not on the list, but announced that he would support it, on condition that guarantees were given, that the occupation would be ended.

In addition, the two main Kurdish parties, the Kurdish Democratic Party and the Patriotic Union of Kurdistan, agreed to form a single list of candidates. There is also a Turkomen Party, and many others, among them, the Constitu-

tional Monarchy Movement, a Sunni group, which has presented a list of 275 candidates. The list is topped by Sharif Ali, a cousin of Iraq's last king (killed in the 1958 coup), and the official pretender to the throne. The slate also has Kurds and Shi'ites.

Despite the fact that most of the slates, particularly the larger ones, include candidates from minority religious or ethnic groups, it is clear from the overall composition of the lists that they have been composed primarily along ethnic-religious lines, further dividing the country.

But even if slates have been presented, there is no guarantee that elections can take place. The United Nations, which is supposed to provide the personnel to prepare them, has reportedly no more than 25 representatives in the country, and cannot send more unless their safety be guaranteed. Were polls to be prepared and ballots distributed, the question remains: Could such elections be considered free and fair? As Aziz Alkazaz has pointed out, given the existence of militias associated with the Kurds and the SCIRI, as well as personal militias like the one attached to Chalabi, it can be expected that the militia presence at polling places could provide the decisive "influence" for the outcome.

### **Afghanistan or Algeria?**

The reason that the highest Shi'ite authority, Ayatollah al-Sistani, has accepted elections, even though the election procedure and laws were established under an unlawful occupation authority, is that he believes that this is the only means to form a government which can demand independence and sovereignty—that is, an end to the occupation. In fact, it was on al-Sistani's insistence that the occupying powers, then the Coalition Provisional Authority, accepted the date he set for elections. The hope that this may pave the way for ending the occupation is, ultimately, the reason that some Iraqis are supporting the elections. Even the most discredited politicians on the scene, like Chalabi or Allawi, have felt obliged to pay lip service to the demand for ending the occupation that their own masters have imposed.

If elections are held on Jan. 30, it is most likely that the predominantly Shi'ite slate backed by al-Sistani will take the lion's share of the votes, and that its leading candidates, like SCIRI head Aziz al-Hakim and Hussain al-Sharistani, a close collaborator of al-Sistani, will emerge as the country's power brokers. The question then will be, whether the occupying powers will accept this electoral result.

Jürgen Hübschen, former military attaché in the German Embassy in Baghdad, commented: "After the January 2005 elections, what will be decisive is whether or not the U.S. is ready and able to accept a serving—rather than its current dominating—role vis-à-vis the new Iraqi leadership, and to prepare itself for the fact that a concrete plan for the withdrawal of its troops will be the number one item on the agenda of a new Iraqi government." Hübschen's view is that the United States will be forced to do this for both political and

military reasons: U.S. forces are totally overstretched, and are losing the war. The main U.S. concern, he believes, is to consolidate the five or six military bases it has set up in Iraq, for geostrategic purposes, related to developments in Central Asia and Southwest Asia.

Hübschen told *EIR* that he believes that Ayatollah al-Sistani, as the éminence grise behind the new government, would accept a gradual withdrawal of troops over time, but would insist that a substantial number—say, 50,000 troops—be removed at the onset. Most important, from al-Sistani's standpoint, is that whatever the process of U.S. withdrawal, it must be fixed and carved in stone; that is, regulated by treaty agreement. Furthermore, Hübschen said, for any government to become truly sovereign, it will be mandatory that it separate itself physically and visibly, from any entity associated with the U.S. and other occupying powers.

If the United States were to reject an electoral outcome that placed al-Sistani and his followers in the forefront, the result, in Hübschen's view, would be comparable to the situation in Algeria, after the electoral victory of the Islamist FIS (Front Islamique du Salut): "With approval of the West, a military junta prevented the establishment of a government" and "the election manipulation led Algeria into a seven-year civil war, that left more than 100,000 dead. For Iraq, the Jan. 30, 2005, elections and their fair translation into political power will be the last chance to prevent a comparable civil war, and prevent descent into final chaos."

If the United States, on the other hand, continues on its current flight forward course, and attempts to maintain its status as an occupying power, as it is doing in Afghanistan, the resistance will expand. In fact, even if the more rational option were pursued, it cannot be excluded that the guerrilla warfare will escalate. An ominous sign of a worst case scenario appeared on Dec. 15, when a bomb attack in the holy city of Kerbala killed 8 people and wounded 32, among them Sheikh Abdelmahdi al-Karbalai, a trusted associate of Ayatollah al-Sistani.

And if the elected political force does not chart a course of reconciliation, making it thinkable for Sunni political and military forces to be reintegrated into a national political process, then the result will be civil war. Any such reconciliation process must be based on the immediate reversal of the de-Baathification policy implemented by U.S. administrator Paul Bremer, which led to the disbanding of the Iraqi military, security, and civil service organizations. Even interim President Ghazi al-Yawer, after his visit to Washington in early December, blasted the de-Baathification process: "Definitely dissolving the Ministry of Defense and the Ministry of Interior was a big mistake at that time," al-Yawer told the BBC.

### **The Broader Picture**

No perspective for stabilization could stand a chance of success, unless the internal political process were bounded

by a regional security arrangement, as proposed by Lyndon LaRouche in his April 2004 “LaRouche Doctrine.” An arrangement for regional security, bolstered by regional economic cooperation agreements, must be established among Iraq’s neighbors, whereby Turkey, Iran, Syria, and Egypt would play the leading roles. To be effective, such an arrangement would have to be supported by the U.S. Administration.

This brings up the sticky question of U.S. policy towards these keystone nations, particularly Iran and Syria, which are currently high on the hit list of the neo-conservative Bush-Cheney junta. Any hope for stability in Iraq must bring Iran into the equation, for geographic, economic, political, religious, and cultural reasons. Iran’s political leadership has made clear its readiness to contribute to a stabilization process, on condition that the U.S. stance radically change, from confrontation to dialogue.

Instead, the U.S. neo-conservatives have issued escalating accusations against Iran, mainly that the Islamic Republic has been fuelling the armed Iraqi resistance, with men, arms, and funds. Recently a new charge has been launched: that Iran has infiltrated up to 1 million Iranians into Iraq, in order to “buy up” political influence through the elections. Informed sources point out that, during Saddam Hussein’s reign, about 1 million Iraqi Shi’ites, whose ancestors had immigrated from Iran generations earlier, were expelled, and sent back to Iran. It is these layers who have been returning to Iraq.

A further charge alleges that Iran has been sending political forces to Iraq, in order to steer the post-election majority in the direction of an Islamic republic, on the Iranian model. This curious accusation appears to ignore the well-known fact that Ayatollah al-Sistani rejects the Iranian model.

Some more rational voices in the U.S. political landscape—from the circles around the Council on Foreign Relations, as well as from Brent Scowcroft, and others—have begun to float the idea that a shift towards a more amicable Iran policy, could be a rational choice. The recent success of the European Union’s “trio”—Great Britain, France, and Germany—in reaching a diplomatic solution to the Iranian nuclear energy issues, has prompted some in Washington to moot the possibility of endorsing such a political, rather than military, approach.

As for official Washington policy towards Iraq, one can only register the signs of continuing insanity on the part of the current occupant of the White House, whom LaRouche has characterized as someone “playing God.” On Dec. 14, President George W. Bush conferred the Presidential medal of freedom, the highest U.S. civilian honor, on two men most responsible for the catastrophe in Iraq: Gen. Tommy Franks, who beat a quick exit from the disastrous war, and Paul Bremer, who headed up the Coalition Provisional Authority. Bremer was the one who introduced the de-Baathification policy which fuelled the armed resistance.

# Genocide: Millions Dead in Congo

by Lawrence K. Freeman

**Genocide:** *The deliberate and systematic extermination of a national or racial group*

A just-released report by the International Rescue Committee (IRC) documents that the worst case of ongoing genocide anywhere on the planet is occurring in the Democratic Republic of the Congo (D.R. Congo). Only the Nazi-implemented holocaust against the Jewish people was more horrific, although the number of deaths in the D.R. Congo may turn out to be greater. The IRC’s report, “Mortality in the Democratic Republic of Congo: Results from a Nationwide Survey,” painfully documents 3.8 million *preventable* deaths in excess of normal mortality, over the six-year period 1998-2004. That is most likely an *underestimate*, according to Dr. Rick Brennan, who presented the survey in Washington, D.C. on Dec. 10.

Yet, our elected leaders, and most people, continue to support those very policies, and individuals responsible for this enormous loss of life.

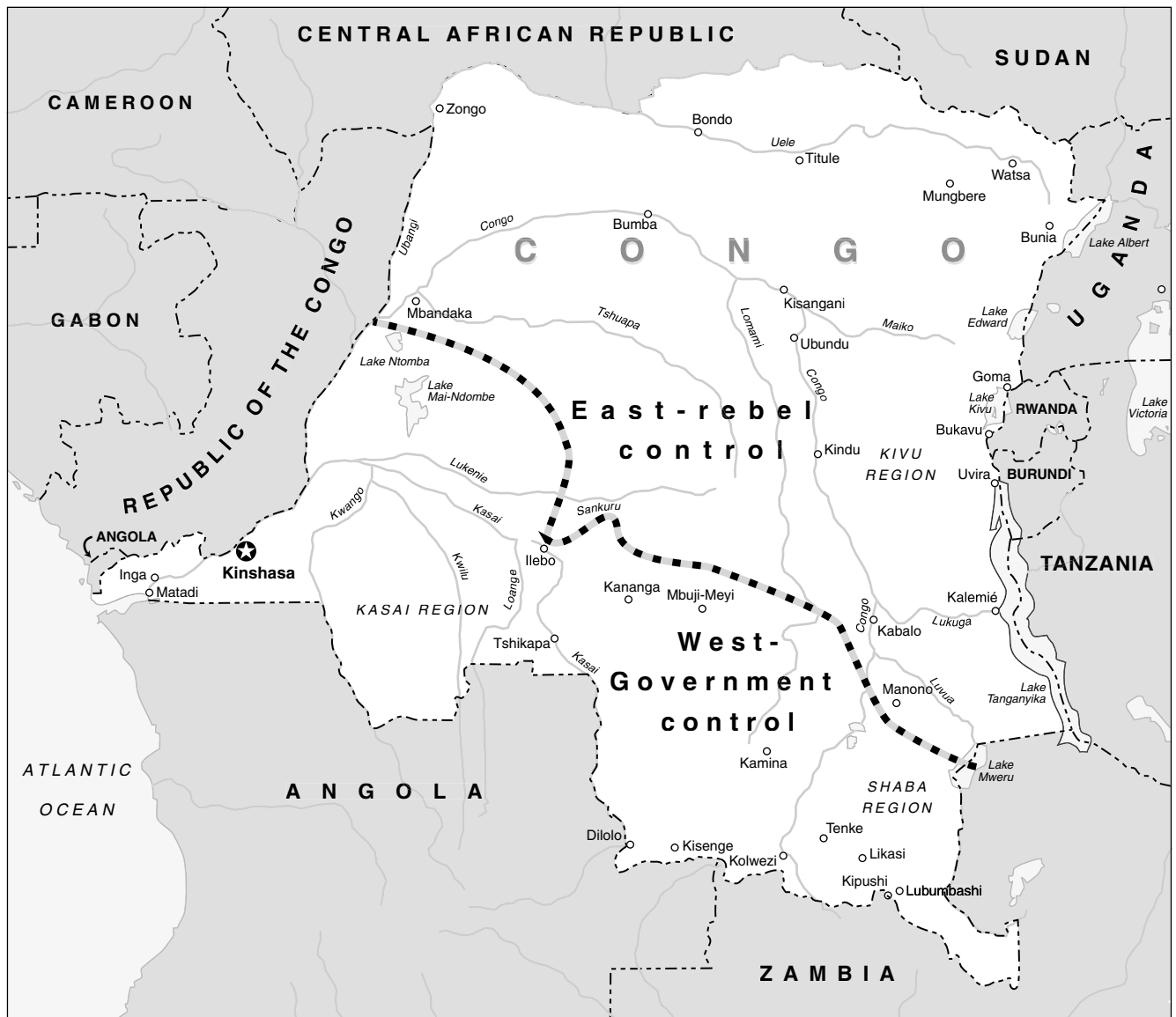
The IRC report states: “For the fourth time since 2000, data from representative mortality surveys have demonstrated that the conflict in D.R. Congo dwarfs other emergencies in both its scale and humanitarian impact. No other recent conflict has claimed as many lives as D.R. Congo, and mortality rates remain elevated at an alarming level. . . . The survey’s findings provide compelling evidence that improving security and increasing access to simple, cost-effective health interventions such as clean water, immunizations, and basic medical care would dramatically reduce preventable deaths.”

## Preventable Mortality—or Conscious Genocide?

If we look at West D.R. Congo, where the fighting is not as intense, the number one cause of death, *fever*, accounts for 31.5% of all adult deaths, and 39.7% of deaths of children under five. The third leading cause of deaths for adults is *diarrhea*, at 11.7%, but for young children it is the second leading cause of death at 14.6%. Number four is *respiratory-related illness*, at 9% and 9.4%, respectively. *Malnutrition* is fifth, accounting for 6.6% of adult deaths, and 8.1% of deaths for children under five.

These four causes of death account for 58.7% of deaths for the adult population in the designated western portion of the country; these deaths would *all be preventable* with access

FIGURE 1  
**Political Division of the Democratic Republic of the Congo**



to adequate food and health care. Only 0.1% of the deaths comes directly from violence. For children under five, those four categories of preventable causes of death account for 71.8% of the deaths, with no percentage of deaths attributed to violence.

Thus, while the report makes clear that the six-year war is the main factor for the elevated crude mortality rates among adults and young children, existing conditions, including the lack of clean water, adequate housing, minimal health care, and food production, already constituted severe risk conditions prior to the outbreak of war in 1998. The so-called normal crude mortality rates of 1.2 to 1.5 for the D.R. Congo, and all of sub-Saharan Africa, already speak volumes about

the existence of a long-term policy of genocide towards this region of the world. The decades-long policies of the International Monetary Fund and World Bank, which followed almost a century of colonial, imperialist looting policies, has had its intended effect.

The authors of the IRC report, knowingly or not, are calling attention to the “success” of the infamous, anti-human “Kissinger Report”—National Security Study Memorandum 200—authored by Henry Kissinger exactly 30 years ago. Anyone who has read this report is horrified at the explicit policy to reduce the population of the poorer nations in the world, almost precisely as prescribed by the evil Bertrand Russell earlier in the last century. It was also the

explicit policy of the British Empire, and later that of the Commonwealth, as articulated by imperialist Cecil Rhodes at the turn of the 19th Century, when he spoke of the need to get the natives off the land, to exploit or preserve the natural resources. As NSSM 200 states, the resources are needed for the Western cartels, and therefore should not be wasted on developing nations. Thus, the need for massive depopulation, enforced under-development, and the use of food as a weapon.

### **31,000 Die Each Month**

Between January 2003 and April 2004, the IRC conducted the largest survey ever, visiting 19,500 households divided between the so-called eastern and western portions of the D.R. Congo. Every province in the country was visited, representing 58 million people—90% of the total population of 63.7 million. This was the fourth survey conducted in the D.R. Congo since 1998, when the war between the Laurent Kabila government and the invading armies from Rwanda and Uganda began, after the overthrow of President Mobutu Sese Seko. The first three mortality surveys documented 3.3 million excess deaths between 1998-2002.

The main findings of the report, conducted by teams of physicians and epidemiologists who visited and surveyed the residents, are summarized as follows:

- *More than 1,000 people die every day*, in excess of normal mortality, which equals 500,000 excess deaths in all, over the 16 months of the survey. Even more alarming, 45.4% of these deaths were children under five years old, although children represent only 18.7% of the total population.
- *The vast majority of these excess deaths, 98%, were those of civilians killed by disease and malnutrition.* Only a very small percentage, 2% (10,000), of the total deaths were the result of armed conflict. Almost a half-million civilians died from horrendous economic conditions, and most especially the lack of health care for treatable medical conditions.
- Insecurity resulting from the violence dramatically affected the death rate, by limiting access to aid. In the militarily invaded east, the mortality rate from disease and hunger was the highest.

### **The Crude Mortality Rate**

Much of the analysis of the IRC report, and others preceding it, starts from the acceptance of a baseline crude mortality rate or CMR, which is the number of deaths per 1,000 people per month. It is from this figure that excess deaths are determined. The CMR for sub-Saharan Africa is 1.5. That means it is considered *normal* for 1.5 human beings per 1,000 members of the population, to die each month. The mere acceptance of this figure for the hundreds of millions of Africans living in this region, already indicates how degenerate our culture has become.

What the recent IRC report tells us, is that 1,000 people *above the CMR* die in the D.R. Congo every day. The national

CMR has ranged from 2.0 to 2.4 in the years 2002-04. *Children under five years old have a 350% greater risk of dying than adults.* If one uses a lower, pre-1998 CMR of 1.2, as the UN suggests, instead of the CMR of 1.5 used in this study, then 4.4 million unnecessary deaths took place over the six-year period 1998-2004. This is equivalent to eliminating the entire population of many states and cities in the United States. It is five times the number killed in what is now called the Rwandan holocaust, which left upwards of 800,000 dead in 1994.

The IRC report correlates the level of fighting with increased mortality for the civilian population, indicating that in the five eastern provinces where warfare has been most intense, and protracted, the CMR reaches 2.7, some 80% above the norm. Again, most agonizing, in the heavy war zones, the mortality rate for children under five is 90% above the normal rate.

### **A Policy of Destabilization and Genocide**

The support for the governments of President Paul Kagame of Rwanda, and President Yoweri Museveni of Uganda, to send their armies and surrogates, since 1998, to pillage, loot, and steal with impunity in D.R. Congo's rich reservoir of natural resources, has contributed to driving D.R. Congo into conditions of a Dark Age. The very existence of between 70% and 80% of the D.R. Congo population is threatened. There have been sightings for weeks of Kagame's army once again infiltrating back into eastern D.R. Congo.

As of Dec. 15, there have been reports of fighting by the UN's MUNOC troops and the Congolese Army, against Rwandan troops in the North Kivu capital of Bukavu. This new invasion by Rwanda into the eastern D.R. Congo, threatens to blow up the most fragile of peace agreements. Should full-scale war break out again, mortality figures will rise even further.

The world instead is focussed on Darfur, Sudan, claiming genocide by the government, when the conditions in the D.R. Congo are orders of magnitude worse. It is actually the same policy for all of sub-Saharan Africa. In Sudan, the goal is to overthrow the government or to undermine the country from within, providing the means to control the waters of the Nile, which run north to Egypt, as well as to use Sudan to destabilize all of eastern Africa. In the D.R. Congo, the policy is to use Rwanda and Uganda to physically destroy the nation's ability to exist.

Dr. Brennan asserts that "The international response to the humanitarian crisis in the Congo has been grossly inadequate in proportion to the need." Only \$3.23 in aid per person has been made available, a fraction of what has been provided in other desperate situations, such as Darfur, or Iraq. Until leaders and concerned citizens grasp the fundamental, detestable point, as stated in Kissinger's NSSM 200, that genocide is the operational, intentional policy at work, we will not be able muster the courage to stop it.

# International Intelligence

---

## ***Nobelists Ponder Dollar Crisis at Venice Meeting***

The dollar crisis was at the center of discussions at a Dec. 2 meeting in Venice, which featured four Nobel Prize economists—Michael Spence, Betty Williams, Robert Merton (of LTCM fame), and Robert Mundell. The event was sponsored by Telecom Italia.

Synarchist Mundell pushed his idea of world monetary union, adding an urgent call for an “emergency committee” to dictate policy to the European Central Bank. Mundell said he shares Paul Volcker’s view that there is “a 75% probability that the dollar crisis will turn into a financial crisis for the USA. . . . We must acknowledge that we are in an emergency moment and undertake emergency measures . . . creating an emergency committee with very few members, technicians coming from the three main Euro-land economies, France, Germany, and Italy—and at most, Spain.

As reported in *La Repubblica* on Dec. 7, Mundell said that “such a committee must be established in an emergency meeting, after which it must very quickly elaborate a defense strategy, substantially a series of direct interventions on the markets to counter the apparent strength of the euro, and above all it must work national political authorities out, so that they accept the idea of real and decisive active measures. . . . If the United States intends to go ahead with this policy of unlimited [credit], they must realize that such an enormous deficit is a growing threat to the entire planet. And it is no longer a fiction to speak about global recession.”

---

## ***Banker Felix Rohatyn Grilled in Paris***

Felix Rohatyn, the man who forced fascist austerity measures on New York City with his “Big Mac” reorganization in the 1970s, was unexpectedly reminded of his crimes during a speech at the French National Library in Paris, Dec. 7. Rohatyn was the American Ambassador to France during the Clinton Administration. He gave an anecdotal presentation to an audience of 300. But then came the questions, from one after another of the LaRouche Youth Movement (LYM) members present.

When asked whether we are now headed toward a Schachtian type of financial reorganization—such as the one he carried out in New York City—or another New Deal, similar to that of President Roosevelt in the 1930s, Rohatyn defended his “Big Mac” austerity as successful and necessary. You can’t pile up debt indefinitely, he said, and the Ford Administration wouldn’t help pay off the debt. Both the right wing (represented by the *Wall St. Journal*) and the left wing were for the bankruptcy of New York. The former, he said, with the intention of crushing the trade unions, and the latter wanting the banks to swallow the losses. But the latter was not possible, so he created the Emergency Financial Control Board to enforce austerity—and pay the banks.

Rohatyn skirted the next two LYM questions on Bretton Woods, Argentina, LaRouche’s warning of the dollar collapse, and the need for infrastructure projects. But when another LYM member called on Rohatyn to tell the French what he was really saying, which they didn’t want to hear: that the country needed draconian austerity, that cutbacks like those in New York in the 1970s were necessary, and that France would have to weed out the poor and the sick, as happened in the Vichy regime under the thumb of the Nazis—all hell broke loose. Half the audience started applauding, while the other half sat in shocked silence.

Rohatyn abruptly ended the meeting. All in attendance received LYM leaflets with the details of Rohatyn’s Schachtian measures in New York City.

---

## ***Swiss Bankers Examine Their Gloomy Future***

At an investment seminar for a select audience in Zurich, a gloomy future was portrayed for the global financial markets by investment experts, and a zero-sum game dominated the scene, as reported in the Swiss media on Dec. 9.

The present slump will last for a couple of more years at least, Crédit Suisse CEO

Oswald Gruebel said, and the fact that U.S. mega-investor Warren Buffet is presently staying away from any activity on the markets, is indicative. Profits can, for the time being, be made not on the markets, but rather (if at all) through saved expenses with lower transaction fees offered by one of the other banks, he said.

The trend toward investment in commodities will continue, and even intensify, however, and international investment expert Marc Faber would not rule out the price of gold shooting up to \$3,000 an ounce in the coming years.

---

## ***UNICEF Sounds Alarm at State of World Children***

The United Nations children’s organization, UNICEF, reported on Dec. 9 that more than half the world’s children are suffering extreme effects from poverty, war, and HIV/AIDS.

This year’s report found that more than 1 billion children were growing up hungry and sick, with schools that may be subject to attack by warring parties, and conditions where entire villages are being wiped out by AIDs.

The report points to a failure of governments to live up to the 1989 Convention on the Rights of the Child. Carol Bellamy, UNICEF Executive Director said: “Too many governments are making informed, deliberate choices that actually hurt childhood. Poverty doesn’t come from nowhere. When half the world’s children have become targets and whole villages emptied by AIDs, we’ve failed to deliver on the promise of childhood.”

The report was compiled by UNICEF and researchers at the London School of Economics and Bristol University.

---

## ***French Senators Call for Reindustrialization Plan***

A bipartisan working group of 15 French Senators published a report on Dec. 8, on how out-sourcing is affecting the industrial power of France and Europe. The group out-



lines how France's wealth as a nation, from the time of the industrial revolution to the 30 glorious years of post-war reconstruction, was determined by its industrial power—which is now being outsourced.

The report pleads for rebuilding that industrial power in European nations, and for the State to use whatever means it has to encourage it. The initial industrial demise occurred with the first oil shock of 1974, the report states. From then on, the industrial model gave way to a service economy; industrial workers in France went from 38% to no more than 18% in 2001; and in the meantime, the service sector grew to enormous proportions. Although outsourcing has not yet created dramatic problems of unemployment, all the authors recognize that this tendency will get worse and worse. France and Europe as a whole will see more jobs shift to the highly qualified labor of eastern Europe, and increasingly to India and China.

How can France, and Europe, face up to this problem? By stopping the "financialization," of the economy which imposes short-term profits and undercuts the future of companies and society, the report says, and giving a new orientation to the European Central Bank. France is the best in high-technology infrastructure projects: nuclear, dams, and high-speed rail. The nation must reorient in this direction, and reinvest massively in its R&D, which is now insufficient. The report, however, does not pose the question directly of how to bury the present monetary and neo-liberal system.

## ***Motion Toward East Asian Community 'Irreversible'***

Speaking at a Sasakawa Peace Foundation forum at the Carnegie Endowment in Washington, D.C. on Dec. 7, Dr. Zhang Yunling, China's representative to East Asian regional negotiations, said that the motion toward an East Asian Community, or EAC, is now irreversible. Zhang is also the director of the Institute of Asia-Pacific Studies at the Chinese Academy of Social Sciences.

Although the Asian nations want to engage with the United States in the process,

he said, "we will not give in to U.S. opposition," as happened after the 1997-98 crisis, when the U.S. stopped efforts to form an Asian Monetary System. "We learned from the crisis of 1997-98 that the responses from the international institutions were wrong, and they have admitted that they were wrong," Zhang said. "Nor can we depend on them in the future. Therefore, we *must* have some arrangement within Asia."

He said that neither Japan nor China, for different reasons, can be the "leader" of this community of interest—Japan because of the history of World War II, and China "because some in the U.S. think we aspire to being too powerful." Nonetheless, he said, the "+3" countries (Japan, China, Korea) look at the Franco-German alliance as a model to study, if not copy, and noted that the meeting of the leaders of these three nations was a truly historic development, which is now institutionalized.

## ***Murawiec Exposed As A Liar, Once Again***

Former Saudi intelligence director and current Ambassador to London, Prince Turki al-Faisal, sued Hachette Filipacchi Associés, the publishers of *Paris Match*, for libel, and was granted "substantial" damages and a public apology, reported the online *arabnews* on Dec. 8. The publication had printed excerpts from Laurent Murawiec's book, *La Guerre d'Après*, in which he accused Prince Turki of being the controller of al-Qaeda. Murawiec is a former associate of Lyndon LaRouche, who was an agent for the synarchist bankers and the neo-conservatives. The prince's lawyer, Rupert Earle, told London's High Court: "In particular, he [Murawiec] described Prince Turki as having set up al-Qaeda and thereafter used it as his military operation." The article also charged that Prince Turki had been behind 9/11, and al-Qaeda terrorism worldwide.

The lawyer also stated: "Mr. Murawiec's views have been rejected at the highest level in the United States as well as by the 9/11 Commission, and French authorities have distanced themselves from Mr. Murawiec."

**EVERY DOLLAR** invested in the fight against hunger in developing-sector nations will have an economic and social benefit of 5 to 20 times the sum spent, reports the United Nations Food and Agriculture Organization. The FAO also estimates that underdevelopment means that real productivity of developing sector nations, in the range of \$500 billion to \$1 trillion, is left untapped, because their citizens are prevented from being productive members of a functioning industrial economy.

**THE ITALIAN** Industrial Association and the Chinese province of Jiang-Su signed an agreement for joint-venture cooperation between small and medium enterprises. The agreement was signed at the end of a five-day visit to China by an Italian delegation, led by President Carlo Azeglio Ciampi, and announced during a meeting in Shanghai with 250 Italian and 800 Chinese businessmen. Although Italy is not now involved in any major infrastructural project in China, this deal is a step in the right direction, as advocated by Lyndon LaRouche during his numerous visits to Italy in recent years.

**THE LONDON SUBWAY** system has been so run down by cost-cutting private owners, that its engineers have contacted museums to look for "antique" spare parts. The former producers of parts, reported the *Guardian* Dec. 9, have been out of business for years.

**THE ALGIERS** newspaper *L'Expression* reported on Dec. 5 that "Algeria has just replaced Morocco as strategic partner of the Atlantic Alliance on the southern rim of the Mediterranean." Unnamed military experts cited by the newspaper claimed that Morocco is not suitable as a base from which to fight drug trafficking and illegal immigration, and "is already exposed to a fever of terrorism that is profoundly sapping the strength of the throne of [Moroccan King] Mohammed VI."

# The Nazi Hit Men Return

The world financial system is blowing out, and the Nazi hit men are back, right on schedule. They are trying to steal everything in sight to save the synarchist banking system, starting with the trillions of dollars coming into Social Security in the United States, and pensions everywhere else in the world. To do it in the U.S., they had to start with stealing the Presidential election for George Bush. Without that, they didn't have a chance.

Back in 1973-75, this same group of frontmen for the bankers were also fighting for their lives, and they carried out a series of coups to ensure their success. One of those coups was in Chile, where Gen. Augusto Pinochet came into office, under the sponsorship of the "Chicago Boys," who were headed by then-U.S. Treasury Secretary George Shultz. It is lawful that the plan which George W. Bush wants to use to steal your Social Security, is the same one Pinochet put into effect in Chile.

The key link in this history is none other than George Shultz! Shultz, who put through the delinking of the dollar from gold back in 1971, and played godfather to the Chicago Boys' international operations, is today the architect of the George W. Bush Administration. Shultz, acting from the Hoover Institution, was the *éminence gris* who vetted George W. for the Presidency, picked Condoleezza Rice, and shaped the first administration. He's the man behind Cheney, and the man behind Arnold Schwarzenegger, who now threatens to impose deep, murderous cuts against the vulnerable in California, and openly schemes to move on to the White House.

But there's a deeper story behind this, as Lyndon LaRouche pointed out in a radio interview on Dec. 16. The U.S. security system, as well as Europe's, is riddled with leftovers of the old Nazi system. Elements of the old Nazi apparatus were run down into South America, into Mexico, into Chile, and elsewhere. They have been called into service, when needed, to act as mass murderers, special hit men, to ensure that the fascist economic policies the bankers demand—such as Chile's austerity and Social Security privatization—are able to be pushed through.

You don't think such hit men exist in the United

States? Think again. We document in our series on the Economic Hit Men, exposed recently by author John Perkins, the way in which the synarchist bankers have deployed to kill off nationalist leaders in places like Mexico, the Philippines, and Panama, in order to secure their right to loot. A very similar operation has occurred in the United States as well. One of the prime examples of its targets is none other than LaRouche himself, who was massively defamed and put into prison, in order to try to prevent him from organizing an alternative to their schemes.

LaRouche, however, has not given up. Today he is the chief organizer internationally, leading the resistance to the Nazi hit men, and he's located the center of the fight right here in the United States, both against Bush's Social Security privatization drive, and the electoral "coup" which the Republicans carried out on Nov. 2. He described it this way:

"Now, what happens is this: If the Bush Administration succeeds in ramming this and related measures through, *we no longer have a government that the people of the United States control*. We will then be under a fascist-style of dictatorship.

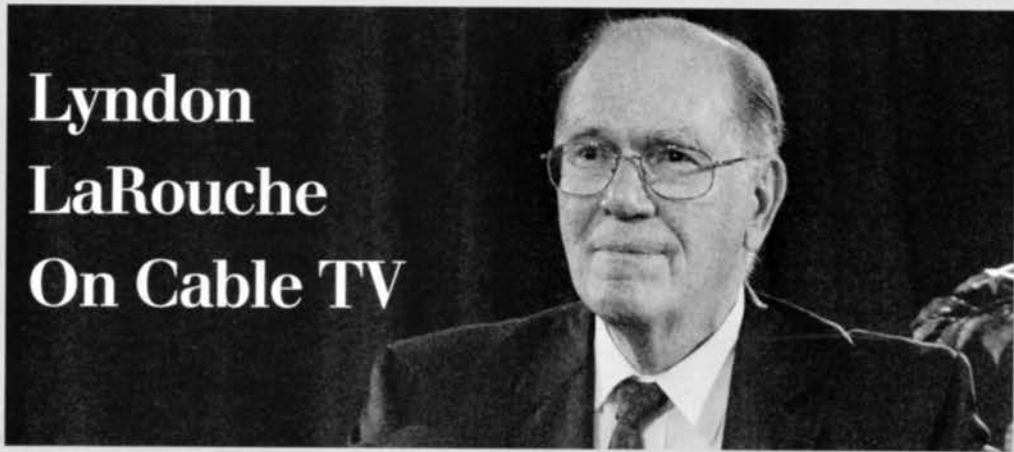
"Once they have their foot in the door, by getting the first leg on this Social Security control, *they will go all the way*. Because, why? We're now faced with a collapse of the U.S. dollar, U.S. currency, in the order of *trillions*, right now.

"Just as the welfare issue was the issue, which was key in Europe when Mussolini and Hitler came to power: We're faced with a threat of dictatorship. And if we can not mobilize political resources, especially in the United States, to *stop this thing now*, we will have given up our Constitution and our rights. And when these guys come after us, they're going to come all the way, because, they are faced with a broken-down system, and they're going to go for a dictatorship."

"People will be *murdered* by this kind of policy," LaRouche continued. And those who voted for Bush have to be asked: Do they want a government that kills them? If not, they have to get out and fight—and support the leadership that tells them the hard truth.

It's time to defeat the Nazis again.

# See Lyndon LaRouche On Cable TV



**Watch** *The LaRouche Connection*, the one-hour weekly television program produced by EIR News Service. This is *the* place to see and hear Lyndon LaRouche, the world's foremost economic forecaster, who has inspired a worldwide political movement to reverse the depression collapse and bring about a new renaissance.

Distributed to over 150 cable systems, the program can be seen in over 14 million homes from coast to coast.

For a complete list of stations and schedule of showing times, visit [www.larouchepub.com/tv](http://www.larouchepub.com/tv)

### Not in your area? Be a local sponsor.

If you find that *The LaRouche Connection* is not already showing on your local cable system, please contact your local cable provider, and ask for the manager of the Public Access channel to find out their requirements for cable-casting. Then contact our distribution manager, Charles Notley, to get tapes to the station. Call 705-777-9451, ext. 322, or e-mail at [charlesnotley@larouchepub.com](mailto:charlesnotley@larouchepub.com)



I would like to subscribe to

## Executive Intelligence Review

### U.S.A. and Canada:

- \$396** for one year
- \$225** for six months
- \$125** for three months

### SPECIAL OFFER

- \$446** for one year  
EIR Print plus EIR Online\*

### Outside U.S.A. and Canada:

- \$490** for one year
- \$265** for six months
- \$145** for three months

### SPECIAL OFFER

- \$540** for one year  
EIR Print plus EIR Online\*

I would like to  
subscribe to

## EIR Online\*

- \$360** for one year
- \$60** for two months

EIR Online can be reached at:

[www.larouchepub.com/eiw](http://www.larouchepub.com/eiw)

Call **1-888-347-3258** (toll-free)

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Country \_\_\_\_\_

Phone ( \_\_\_\_\_ ) \_\_\_\_\_

E-mail address\* \_\_\_\_\_

\* E-mail address required for EIR Online subscriptions

I enclose \$ \_\_\_\_\_ check or money order

Make checks payable to

**EIR News Service Inc.**

P.O. Box 17390, Washington, D.C. 20041-0390

Please charge my  MasterCard  Visa

Card Number \_\_\_\_\_

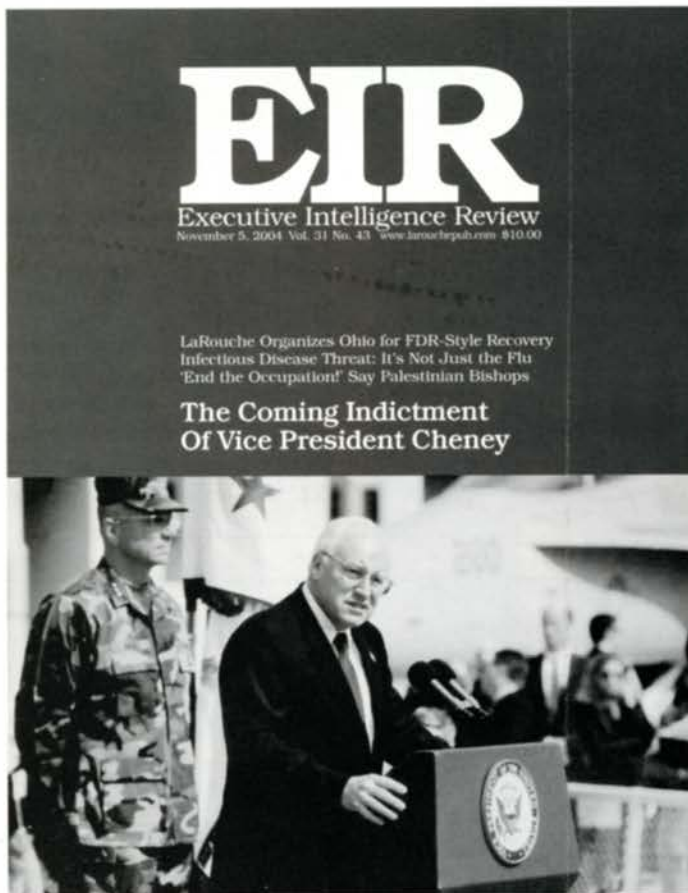
Signature \_\_\_\_\_

Expiration Date \_\_\_\_\_

# EIR Online

## Executive Intelligence Review online almanac

**EIR Online** gives subscribers online one of the most valued publications for policymakers—the weekly journal that has established Lyndon LaRouche as the most authoritative economic forecaster in the world today.



Issued every Monday,  
**EIR Online** includes:

- Lyndon LaRouche's economic and strategic analyses
- Charting of the world economic crisis
- Critical developments internationally—the ones ignored by the "mainstream" media

SAMPLE ONLINE: [www.larouchepub.com](http://www.larouchepub.com)

click on EIR, then on EIR Online

I would like to subscribe to **EIR Online** for 1 year **\$360**

Special student rate also available; call for information:

**1-888-347-3258**

Please charge my

MasterCard  Visa

Card Number \_\_\_\_\_

Expiration Date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Company \_\_\_\_\_

E-mail address \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to

**EIR News Service Inc.**

P.O. Box 17390, Washington, D.C. 20041-0390