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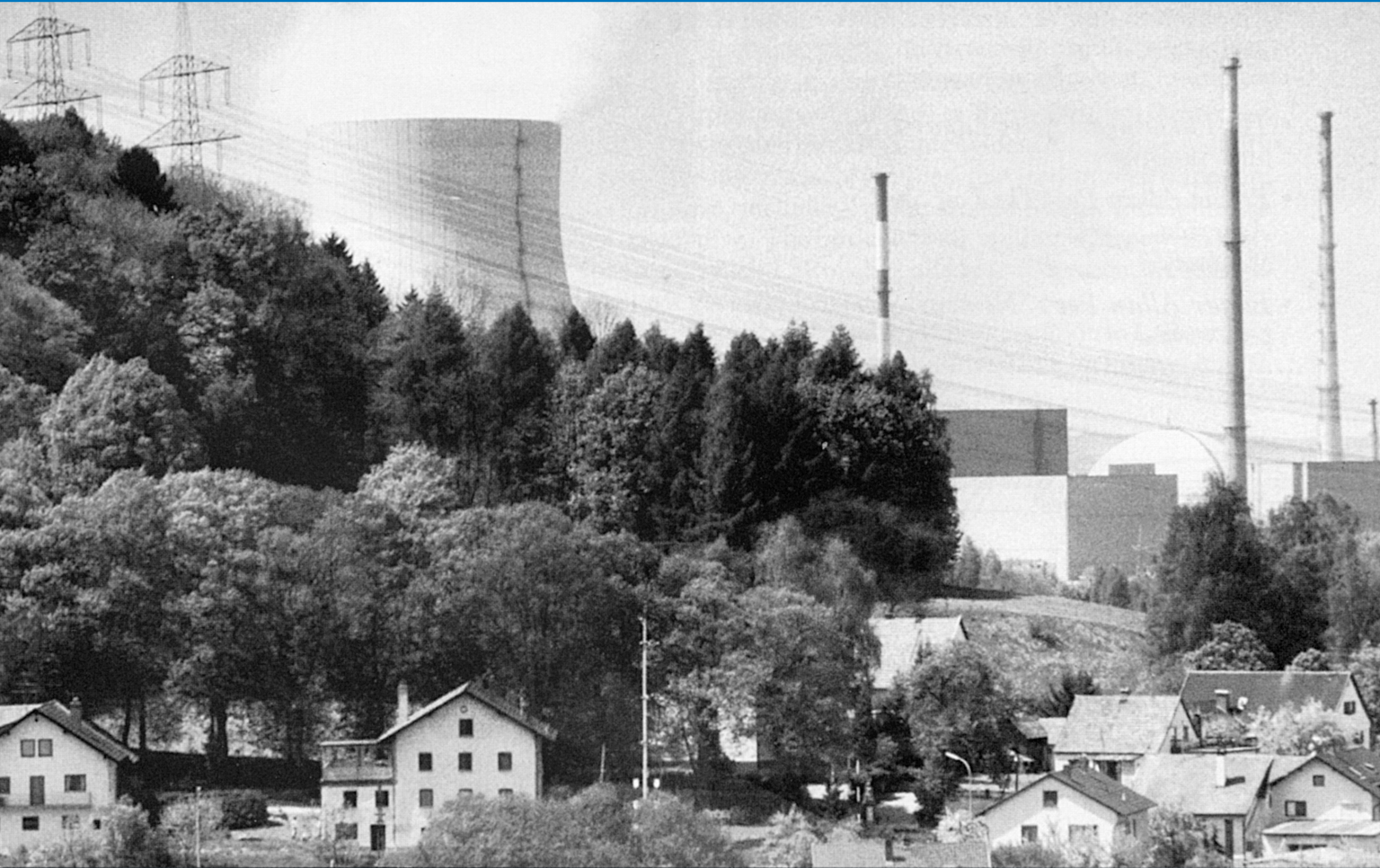
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Empire vs. Nations: Synarchism, Sport, and Iran
Auctioning Off America's Ability To Produce
Israelis See Palestinian Letter As Opening for Peace

**LaRouche in Germany Teaches
On Machine-Tool Principle**



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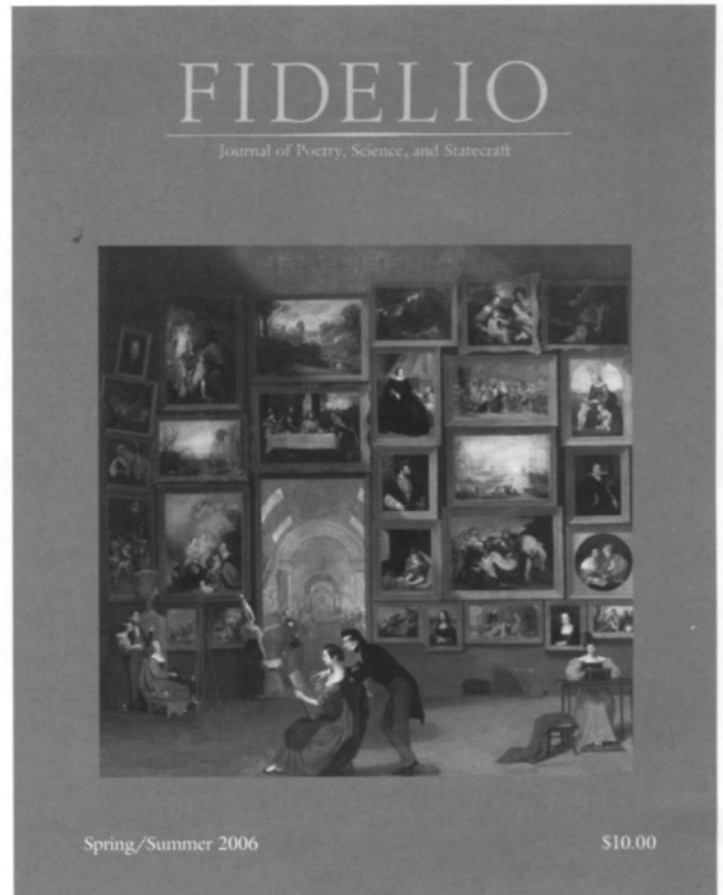
Of British Fools and 'Post' Reviewers

Lyndon H. LaRouche, Jr.

No strategy is worth much for long, unless it is rooted in, and controlled by a clear understanding of the actual, non-Hobbesian, non-Lockean nature of the human being. If we evoke a sense of the nature, reality, and efficiency of creative mental powers of the individual, as through the expression of scientific and technological progress as objectives in and of themselves, we unleash a force for good within the individual which society, must in time, find tempting even to the point of being irresistible.

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From the Editor

Our cover feature this issue serves to provide a strategic setting for the auto initiative which Lyndon LaRouche and his youth movement are fighting to push through the U.S. Congress. By looking over LaRouche's shoulder, as he presents to 100 senior economics students in Germany, the current economic conjuncture and the role his auto retooling legislation must play in changing U.S. policy, the reader can get new insight into the significance of that campaign.

In the immediately following Economics section, the picture is further filled out, as we report the otherwise-suppressed news that numbers of auto plants are currently being *auctioned off*, even prior to the bankruptcy court's ruling in the Delphi case. As we go to press, we have learned the equally shocking news that these auctions, which threaten our national security by destroying vital productive industrial capacity, were actually authorized by the bankruptcy court judge, who claimed that they were "de minimis" assets, and therefore could be sold off!

Which raises the question that LaRouche addresses in his "The Empire versus the Nations: Synarchism, Sport, and Iran": Who would want to destroy the vital assets of the United States, and why? In this feature piece, LaRouche identifies, with historical depth, the nature of the enemy who is out to deploy terrorism, as well as economic warfare, against the United States. Without such an understanding, LaRouche argues, there is no way to defeat the enemy.

It would be a mistake, of course, to think that this Synarchist enemy is all-powerful, and there is ample evidence, which we identify in our national and international sections, that institutional forces are continuing to move, including in the United States, to cripple the Synarchist capability. The groundswell against Cheney and his banker sponsors, which LaRouche called for in a recent webcast, is growing, but not yet sufficient.

And speaking of webcasts, we point your attention to LaRouche's next scheduled one, to occur at 1 pm Eastern Time on Friday, June 9. Tune in to www.larouchepub.com to hear it live.



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Lyndon LaRouche addressed more than 100 former students of Prof. Wilhelm Hankel, at Frankfurt University on May 29. Professor Hankel was the former chief consultant of Germany's Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency). LaRouche engaged in a two-hour presentation and seminar with Hankel's students, who are now retired from their professional careers. Emphasizing the importance of the machine-tool principle for both the U.S. and German economies, LaRouche declared, "We've reached the point that the natural destiny of Germany, today, in particular, depends upon the development of a new approach, or a new form of approach, to Eurasian economy."

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Correction: The photo caption on p. 38 of last week's issue mangled a quotation from President Putin. As the article reports, what Putin actually said, alluding to the United States, was: "The wolf knows whom to eat, as the saying goes. He knows whom to eat and is not about to listen to anyone, it seems."

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LAROUCHE SPEAKS TO GERMAN ECONOMISTS

The Key to Economics Is Human Scientific Discovery

by Lyndon LaRouche

Lyndon LaRouche addressed more than 100 former students of Prof. Wilhelm Hankel, at Frankfurt University on May 29. Professor Hankel, who was the former chief consultant of Germany's Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency), introduced LaRouche as "An American Legend." LaRouche engaged in a two-hour presentation and seminar with Hankel's students, who are now retired from their professional careers, and many of whom are quite familiar with LaRouche's economics and political writings, through Hankel's lectures.

Here is an edited transcript of LaRouche's opening remarks. Subheads have been added.

Thank you for receiving me here.

First of all, I'd like to begin with an identification of the development which is occurring inside the United States now, which is of relevance not only to the United States, but to the world as a whole. What I'm doing, I'm pushing a piece of legislation into the U.S. Congress, through our friends and associates in the Congress, which will be a general reform of the type needed to rescue the United States itself, from what is presently a threatened and general collapse of the economy. The significance of this change in policy in the United States: It would be a lever for similar actions in cooperation with Europe and other parts of the world. And particularly, in the situation here in Germany.

The proposal is simply this: We have a section of the U.S. automobile industry, which is now being shut down, or in the process; it is scheduled to be shut down during the coming 24

months. The U.S. auto industry, very much like comparable things in German industry, is the biggest concentration of machine-tool design capability in the economy as a whole: The auto industry and the aerospace industries are the largest concentration of machine-tool driver capacity. Therefore, if we allow this industry, or two-thirds of it to be shut down, that would mean that the United States would permanently lose the essential machine-tool design capability on which the organization of a recovery of the U.S. economy would depend.

Now what this involves is the following. My legislation, which is greeted happily by a number of Congressmen, who have promised to support the legislation, if the right number-one sponsor in the Congress steps forward, is the following: That the U.S. government, following precedent set under Franklin Roosevelt, would legislate a takeover, temporarily, of the section of the auto industry which is doomed to be closed otherwise. What we would do then, is use this machine-tool driver capacity, from the auto industry, for other things besides producing auto.

For example: We need a railroad system, which we've destroyed and must replace in the United States. We have our river system, the locks and dams, and water systems generally, which are now aged and collapsing, disintegrating. We have a power crisis beyond belief. The power plants that have not been replenished over the past 40 years, are now wearing out, and are about to disappear. So, we have these and other things that are desperately needed in the name of infrastructure, basic economic infrastructure. And



Courtesy of The Mount Washington Hotel & Resort, Bretton Woods, N.H.

LaRouche noted that “in relation to a future Europe, we would be going back to something like the Bretton Woods system of fixed-exchange rates, which was what was necessary for the great recovery in the post-war period.” Shown here are delegates from 44 nations, at the 1944 Bretton Woods International Monetary Conference.

by using these means to drive a recovery program, which is a supplementary production program, we would then be in a position to expand the economy as a whole.

This is what was done in the 1930s, with Harry Hopkins and with a gentleman who worked for him called Lucius Clay, not unknown in Germany.¹ So it’s essentially the Roosevelt type of program.

Surge Potential

Now, this is what’s called the “surge potential.” You may be familiar with that term: That, in the economy which is collapsing, and which is the case of all of the economies of Western and Central Europe, as well as the United States, you have to find a way, not merely to recover employment—as you know from Europe studies, that doesn’t work. You’ve got to find productive employment which causes actual growth, as was done, with my associate here, with the Kreditanstalt für Wiederaufbau here in Germany. It was the regenerative capability of developing more and more production which is essential.

Now, the way it would work, and what we’re working on in the legislation, is: I’ve also proposed that we add six new divisions to the military Corps of Engineers. This would be like a driver for many of the projects which need construction, which are Corps of Engineers types of things. The United States has a tradition of the peacetime use of military Corps of Engineers for whole categories of large-scale construction. And in my view, it’s a better military policy than the alterna-

tive. Especially these days.

Now this would be supplemented, because a lot of work is required to implement the utilization of the things produced by this reformed section of the auto industry. Among other things, we have an AmeriCorps organization which was actually set into motion under President Clinton. He signed that bill into law. Now, this was aimed at utilizing youth who otherwise had a very poor future, to bring them into programs of education and employment which would enable them to become part of a future. What we would do is expand the AmeriCorps. And together with the Corps of Engineers, we would have a government-sponsored section to implement the measures of growth which would be possible with the driver of a reformed machine-tool industry.

The characteristic of this, of course, is the American System of political economy, which is sometimes not understood in Europe: But the American System of political-economy is quite different than any other constitutional system in the world. We do not have a monetary system, though we sometimes pretend we do. We have a national credit system. And it was known in Germany through Friedrich List, for example. That is, the power to print money is a monopoly of the Federal government. The printing of an issue of money has to be authorized by the Congress, specifically the House of Representatives. The authorization for the printing of money is not merely the issuance of money; it is the creation of state credit, which can then be loaned through a regulated banking system to supply credit for both public purposes, and also for private functions which are considered to be important to the nation. This means that the United States has, contrary to the European systems which are dominated by central banking sys-

1. General Clay was Military Governor of Germany, succeeding General Eisenhower, after World War II.



Eisenhower Library

General Lucius Clay (shown here with Eisenhower), in 1933 allied himself with Harry Hopkins, and became a strong supporter of FDR's New Deal. A delegate to the Bretton Woods Conference, he later became military governor of Germany, a position he held during the Berlin Airlift, which made him a hero in Germany.

tems, its own authority to create its own system of credit, as such. This would imply, of course, in relation to a future Europe, we would be going back to something like the Bretton Woods system of fixed-exchange rates, which was what was necessary for the great recovery in the post-war period.

So that's the general picture—to have legislation, with the intent to use the power of Federal credit, to fund both the takeover and expansion of an otherwise-lost essential part of production; to engage the military Corps of Engineers for its function, for example, national security, disasters, and things like that; and also, for rivers, and harbors, and things of that sort. And also to bring into play, as added employment, taking youth of our cities, who are now headed for a wasteful life, otherwise, and absorbing them, as the Clinton legislation did, into forms of employment and education. And with this kind of expansion of production, we can absorb them, as we did the CCCs and others back during in the 1930s; we can absorb them into a process of employment, education, and personal upgrading. By doing so, it would be sufficient in this way, to get a sufficient margin of increased production, which would bring the U.S. economy physically above breakeven.

Most of the details of what I'm discussing in terms of this reform, this legislation, is either already being reported in the United States, or it will be reported. We're still working on it with specialists, on the details of the design of the legislation, in detail. The kind of thing you do: You have a piece of legislation, then you go into work to turn it into legislation, by going through the stage of making specifications and bringing the experts in. That's in process. And that will be publi-



LaRouche pointed out that Franklin Roosevelt (shown here) set the precedent for the U.S. government to "legislate a takeover, temporarily, of the section of the auto industry which is doomed to be closed otherwise."

cized by us, and also by others, internationally, as the process ripens, as the material is finished, because this has another purpose to it.

We're now at a point where the entire world system, financial-monetary system, is in a state of collapse in its present form. It is not necessary to have a collapse, but the way we're going, we're going to experience one. So, you have two purposes: To try to prevent the collapse from actually occurring; and if it does occur, what do you do to deal with it, when it has occurred. So, the legislation fits both purposes. But, as I said, if we lose the machine-tool sector of the U.S. economy, the recovery's going to be very difficult.

The Difference Between Europe and the U.S.

Now, on the difference between Europe and the United States: We dealt with this problem before, with Roosevelt, in the post-Roosevelt period. While European systems are monetary systems, not Federal credit systems, and it is the nature of parliamentary government to tend to go in that direction, the way we dealt with the reconstructions in the post-war period, was through the Bretton Woods system, in which the United States as a repository of Federal credit was able to enter into long-term agreements with Europe and other locations, which extended U.S. credit as a driver for development of credit for reconstruction, in Europe, for example. And that's the way we'd approach it.

My view is that, because of the present construction of government in Europe, European governments are not ready, legally, to take the kind of reforms that are required. However, were the United States to resume its proper role in this relationship, based on the experience of the immediate post-war period, then such a recovery *in* the United States, through international treaty agreements, would create the process for generating credit through international treaty agreements.

Let me explain what I mean by that: We've reached the point that the natural destiny of Germany, today, in particular, depends upon the development of a new approach, or a new form of approach, to Eurasian economy. We have over a billion, probably 1.4 billion people in China. We have over a billion people in India. Contrary to much illusion, China is not such a secure place right now, because China has been engaged in producing products with cheap labor for the world market, largely the U.S. and the European market. If the European economies were to collapse, you would have a disaster for China. India has made some significant progress in the same direction: It has over a billion people, of whom 70% are as desperately poor as ever before. There are problems. Therefore, if the European and U.S. economies were to collapse, this would be a disaster for India—for all of Asia.

What this reveals is, that despite the progress that has been made in India and China, for example, we have a desperate world situation, in which there have to be fundamental long-term changes, which would enable the countries of Asia to deal with their problems.

We have the configuration in Europe which fits that: You have Western Europe, especially Central Europe, with a relationship to Russia. And Russia is the fulcrum that connects Europe to Asia. The large deposits of undeveloped natural resources in Russia are crucial for the development of Asia. This requires a major development program inside Russia tied to these programs. Because we must develop efficient connections, long-term agreements with places like China, India, and so forth. We must have programs, long-term contracts, long-term investments, and we must then take Western Europe and "crank it up" as we say, to maintain its market role as a generator and supplier of technology, where you would assist in the development of Asia over a 30- to 50-year term.

The U.S. Government Is Ready for a Change

It has probably occurred to you, as you've heard me going through this proceeding, "Well, what about the present U.S. government? What about the present President and Vice President?" That is not something I'm ignoring. Matter of fact, I'm part of the process of trying to bring about a very early change in that situation.

You have a Vice President whose popularity is less than 10% of the population; you have a President whose popularity is less than 20%. You have a Vice President who has now been accused of a crime, in the case of this exposure of Ambassador Joe Wilson's wife. His motive for the crime is now out. And as you know law a bit, that the conviction on the crime depends upon proving to the jury and the judges that the motive for the crime that was committed, was there. And the motive for the crime is now out, legally, in the courts. This does not say exactly how Mr. Cheney will go, but the point is that we are in a situation, where likely the



EIRNS/Stuart Lewis

LaRouche has proposed legislation that would use the section of the auto industry that is slated to be junked, to fabricate material needed to build infrastructure. He is advocating the creation of six new divisions of the military Corps of Engineers to carry this out.

Blair government in Britain, and the French government, and some other governments—the U.S. government is ready for a change, a very sudden, and very sharp change, probably in the near future.

The driver of the change, at the same time, is the recognition that we are in the worst financial crisis in modern history. It can be solved. But in its present characteristics, it's extremely dangerous: You are now living in a period of inflation, comparable to what Germany experienced as a model, in the second half of 1923. If you look at primary materials, petroleum, metals, and so forth, you have a two-fold process which has been characteristic of the recent two months: First, you have a rate of inflation which is accelerating in these commodities. Second, you have a pattern of sharp collapses of whole sections of the market. What is happening is that the hedge funds, which are actually agents of leading banks, are driving a massive speculation, on ratios of actual money-paid-up to borrowed money of 20:1. So, what happens then is, they always overborrow. They're investing in control of primary materials, in the same way that some people, but outside Germany in 1923, did with the idea of coming back in and buying up cheap after the collapse had occurred: The idea was that if the world economy goes, then those who control primary raw materials will have a mortgage on the world. And this doesn't work. It's insane; these people are insane, but they're powerful. And that's a bad combination, big power and insanity.

So therefore, you have, then, because of the bidding nature of this process, you have the periodic sharp collapses in the market—already ongoing. So, you have hyperinflation on the one side, *collapse* on the other side. And this can't continue.

So therefore, this has created a situation, in the financial community internationally, the monetary community, in which the Blair government is reportedly on the way out. You've seen the French government go from seeming awesome power, relative to Europe, to becoming a victim. We're



Prof. Wilhelm Hankel, the former chief consultant of Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency), here with LaRouche at a Berlin conference in November 2001.

EIRNS

in a period of sudden political change. Because responsible politics can deal with a crisis of this type. You can not simply let things continue to roll in this way.

And we're fully aware of it. And I'm a part of the process of trying to bring about the necessary improvement in the U.S. government. Not a complete improvement, but some, please! At least, some.

So therefore, when I say this is a policy which we're fighting for, which the President would oppose, and Cheney would more than oppose—well, they may not be around so long, in the present condition.

Now, the problem we have here, is exactly that. Is that the central banking systems of the world are hopelessly wracked by this crisis. They say on the surface that, "It's not so bad; we could have problems, we may not have problems." From what I know from the inside, in the United States, and we discuss this with circles of leading economists of various stripes and so forth from outside, and from inside the government, this thing is ready to blow. We have the crisis. And only responsible government, by putting it first that the stability of nations and the avoidance of all kinds of chaos, are necessary, can we deal with the crisis. We can deal with it. The lessons we got from the 1930s in the United States indicate that we can deal with it: If the will of government is there, there are rational things we can do, to reorganize and manage our economies and prevent a catastrophe.

Man Is Not an Animal

Now, the key problem we have, and it's a problem which is characteristic of European history: Europe which began, as Europe, essentially by the influence of some Egyptians on the

development of the Greeks—such as Thales, the Pythagoreans, Socrates, Plato, up to Eratosthenes and Archimedes—defined a basis for civilization of the ability of human beings not to live by treating other human beings as cattle, but a society which had sufficient productive power and requirement of use of the human intellect that you could have a state of the type that Solon spoke of, or that Plato spoke of in *The Republic*. Now, this has been the tendency in Europe all the way through, despite the Roman Empire, despite the Byzantine Empire, despite the ultramontane system of the Middle Ages, and despite all the modern problems.

And its treatment by the Treaty of Westphalia is a benchmark, just as the Golden Renaissance was, where Europe took the legacy of European tradition, and brought it forth, first in the Renaissance, and then after, in the Treaty of Westphalia. Things went bad after that, but nonetheless, the principle was established. And therefore, in European civilization, if we're civilized, if we participate in the civilized side of it, we know that there's something about man, that is different than an animal: Man is not—contrary to either Thomas Huxley or to Frederick Engels—man is not an ape. And the distinction is key for economy, which is especially my kind of economy, which comes from Leibniz: the idea of physical economy. That economy is physical primarily, and financial and monetary only as a way of handling the thing, as administration.

What is this physical economy? If we were apes, the human population would never have exceeded, under conditions known on this planet, a few million individuals. We now have over 6 billion individuals. Why? Because we increased our power, as a species, over nature. And as

Vernadsky, the Russian scientist, indicated, not only does life take charge of non-life on the planet, with the rise of the Biosphere out of a pre-biotic planet; but the part of the planet, the growth of the planet, the change of the planet due to the accumulated actions of man, particularly the creative actions of man, is more rapid and more powerful than even the process of life itself.

The key here is that—the key to economics, which is often not understood, particularly in today’s economy—is that the increase in the productive power of labor, comes essentially from the equivalent of original scientific discoveries, typified for example by the discovery of gravity by Kepler, or the discovery of quickest action by Fermat, or the discovery of the calculus by Leibniz; and the discoveries of Gauss and the discoveries of Riemann: This understanding of discovery of a universal physical principle is the distinction between the ape and man.

The reason we’re able to have 6 billion people on this planet, today, is because of an accumulation of discoveries, made by people, embedded in cultures, over centuries, over millennia, which increase the power of the species, which make man, in a sense an immortal species: Through the ideas we develop and convey from the past into the future, we have a certain, very specific immortality, even from the standpoint of economy. Because, it is the ideas embedded in us from successive generations, ideas that correspond to fundamental discoveries, that distinguish us from the apes, or from people who like to act like apes. And therefore, what’s often lost in economy, is the importance of emphasis on actual creativity, of the type demonstrated by fundamental scientific discoveries, and also by good, Bachian choral music and so forth—but essentially by science.

And therefore, the problem we have today, particularly in the so-called post-industrial culture, the zero-technological-growth culture, the acceptance of this change from about the middle of the 1960s to the present, has been the fundamental shift in European civilization in particular, over this period. Up to that time, despite all our mistakes, we still had a leading section in most societies, who believed in scientific and technological progress. We took pride in the machine-tool design specialist, who is, in a sense, the link between science and the improvement in technology at the point of production.

Now we’ve destroyed this: We’ve destroyed the infrastructure upon which industry depends. It shrinks. It vanishes. And with it, vanishes knowledge. The significance of these machine-tool designers that I’m trying to save in the United States, is that they typify the fellow who takes a physical discovery by a scientist and devises the equipment in the laboratory to give a proof-of-principle test of the validity of the discovery. That same machine-tool designer then goes over into the plant, and builds the lessons of that construction into something, or into many kinds of things. And this is the specific method of progress. This is what farmers did.

Progressive farmers did the same thing in their own way. And that’s what we’ve destroyed.

The success of what I’m proposing be done, depends upon taking young people, essentially young adults, who are coming up in society now, who represent the next 50 years of the economy, because we have to make investments which are going to be 25-year to 50-year life-cycle investments: We need a generation of young people, who are oriented toward scientific achievement, or to its application. We need to shape employment in education, in ways which give us more of these kinds of people. And we have to turn them loose, and say to them, “You are the future. It’s in your hands.”

What I’m proposing as an action, depends upon that. If we can not say to a demoralized world, of a reigning generation in the United States and Europe today—which does not believe in the future!—and say to the young people, who would like to *have* a future: “We’re promising you a future.” And that, what we then do, is we tap the greatest of all economic resources, which we may call “increase of productivity”: By telling young people, that we’re going to support them, in developing in their role as the creative personalities, whose combined efforts are going to lift mankind up over the coming 50 years, that they will be running the workplace.

Thank you.

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—Friedrich List

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A NATIONAL SECURITY THREAT

Auctioning Off America's Ability To Produce

by Paul Gallagher

Auto production plants which are being idled in the United States this year and next—a total of nearly 80 million square feet of capacity full of very diverse and capable machine tools—are also being rapidly sold off at auctions, and their unmatched machine-tool capabilities lost to the national economy. Rather than simply being “idled” with the possibility of workforces returning and work resuming, these plants are disappearing under auctioneers’ hammers almost as fast as they are shut down. A list of 65 major auto plants shutting down, and their capacities which may be lost, was featured in *EIR*, May 12, 2006 and in the LaRouche PAC pamphlet, *Economic Recovery Act of 2006*.

The pattern of auctions, of which two examples are shown here, makes clear that the automakers and major auto supply producers, seeing at least 65-70 of their plants as unutilized capacity, do not plan or expect that capacity to come back into use for production of automobiles; rather, underutilization will continue to grow by outsourcing under conditions of rampant globalization.

The pattern also presents a challenge to Congress to act fast to save this huge unutilized chunk of the auto sectors’ machine-tool design and production capability, and use it for missions more urgent to the nation’s economy than producing cars and light trucks to fill the ranks of lengthening traffic jams across the country. Lyndon LaRouche has proposed, and his LaRouche PAC is mobilized to get through Congress, a Federal Public Corporation to adopt the capacity the automakers are discarding, and use it to help build a new national infrastructure from high-speed rail lines to electric power.

‘No Longer Required’

EIR’s investigation shows that three major auto plants, closed within six months or less, were auctioned off in their entirety in the second half of May; and a fourth auction, in late April, sold off machinery for production of electrical systems from four different plants of Delphi Corporation: in Rochester, New York; Athens, Alabama; and Dayton and Moraine, Ohio. The complete plant contents auctioned were the General Motors transmission plant in Muncie, Indiana, hammered away in a three-day sale May 16-18; the metal stamping and machining plant known as “Chrysler machine,” sold off in Toledo, Ohio on May 24-25; and the Delphi electrical systems plant in Irvine, California, auctioned on May 23.

The Toledo plant’s auction sale notice is shown in the illustration, marked “no longer required” by Chrysler. The featured machines in the sale included some of the largest and most capable metal presses used in the auto industry.

The case of Muncie Manual Transmissions LLC, “one of the largest gear manufacturers in North America,” is shown here in the auction company’s brochure. Its illustrations make clear that most of the machines in this plant are quite new, built and bought since 1995. Virtually all of its machinery was auctioned off from May 16-18. “The building will be empty now,” said one person present, and GM’s plan is to demolish it immediately.

That plant has some 600,000 square feet of production space, and had 300 remaining production workers before being closed. The workforce had recently used about 500 major machine tools in the plant; many had a replacement value of

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Maynards Industries

Dissipation of Bankrupt's Assets

In Delphi's case, a full 25 out of its 33 auto parts and supply plants in the country are on the management's list to close down or sell; in addition, others, like the Irvine electrical systems plant, have been closed in recent months. The management under CEO Steve Miller, who was brought in last year to declare the company bankrupt, are flouting the principles of bankruptcy by hiding the accounts of the company's outsourced foreign operations (already 75% of its total work!) while bankrupting and trying to liquidate only the U.S. capacity.

On May 28, calls to the lawyers for parties contesting Delphi's filing in New York Federal bankruptcy court, found that with the exception of the UAW's lawyer, none of those attorneys was aware that the productive assets of the "bankrupt" company were being auctioned off. Sources say that the UAW has attempted to protest and stop the auctions of Delphi's plant and equipment in the court, but has been unable to do so. The attorney representing Delphi's shareholders said that the actions would not be permitted unless Delphi had sought and received permission from Judge Robert Drain to sell the machines. None of the attorneys knew whether Delphi had gotten Drain's approval, nor could this be learned from the judge's clerk.

This plant was auctioned off from May 16-18 in Muncie, Indiana, its 500 or so major machine tools bringing perhaps 15-20 cents on the dollar of their replacement value.

\$500,000-1,000,000 each. All sold, according to the auction brochure, and the entire plant full of machinery apparently brought about \$30 million. So a rough estimate might be that the machine tools were sold for 15 cents on the dollar of their replacement value for production. It is no secret that the purchasers at these auctions include other U.S. firms, scrap outfits, and foreign firms employing machine tools, including for production for export to the United States.

People in the business indicate that the pace of these sales has been brisk for more than a decade; but the *size* of the auctions has definitely grown in the past two years or so, with large plants like this going under the hammer. "We also see a lot of aerospace tools" from Boeing and other companies, said one.

As for the city of Muncie, it has been told to hope that the GM jobs that were lost, will be matched by new jobs gained—from a Sallie Mae "center for debt management"! Machine tools and productive skills will be "no longer required" there.

In any case, it is clear that the intention of Delphi's management is "globalization by bankruptcy," and that critical productive machinery of the "bankrupt" company is being dissipated—a violation of at least the spirit of the law—through auctions to other firms, other divisions, and other countries, because it does not intend to emerge from bankruptcy to produce again *in the United States*. And vital high-technology productive machine tools and other capacity of the U.S. national economy, essential for producing the infrastructure of productivity, are being lost.

Had Congress already acted along the legislative lines LaRouche is calling for, this capacity could have been purchased by a Federal Public Corporation and saved for use in the critical purposes of building a new national economic infrastructure, and creating skilled, semi-skilled, and unskilled employment.

Another month's set of U.S. auto sales reports came in on June 2 and showed the urgent need to diversify the "product"

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An entire recently-closed auto supply plant, “Chrysler machine” in Toledo, Ohio, went under the auctioneer’s hammer on May 24 and 25—one of three such in the second half of May. Each month it does not intervene, Congress is letting such plants, and their irreplaceable machine-tool complexes, be lost to the national economy.

of the auto industrial sector in this way, as it will not come back to building more autos for sale. Ford’s U.S. sales through May are 3.3% below a year ago; Daimler-Chrysler’s, 4.1% down; Ford-Volvo’s 6.3% down; GM’s, 4.6% down; Nissan’s, 8.4% down. Toyota, Hyundai, and Mazda’s sales are still up for the year, but the overall national trend is down. Total sales of cars and light trucks fell from a 16.7 million annual rate last May, to a 16.3 million rate this May, and the annual sales rate for January-May 2006 as a whole, is only 16.4 million units, compared to 16.9 million for all of 2005, and 17.1 million in 2004.

Use It or Lose It

International Association of Machinists president Thomas Buffenbarger charged in a Washington, D.C. speech May 15, “We have lost the ability to manufacture the means of our prosperity,” and now Congress has given away “the ability of this country to defend itself” by outsourcing its machine-tool production in aerospace-defense and auto. Every week that Congress delays emergency legislation to save this

remaining industrial power, more of it is lost, irretrievably.

Auto skilled trades workers, machinists, and others among America’s dwindling base of industrial production workers, realize that the loss of machine-tool and other skilled engineering employment in the United States, could end technological progress in our economy, and ruin our national security. In LaRouche PAC’s one-hour documentary DVD on retooling and saving the auto industry, “Auto and World Economic Recovery,” the auto unionists and Midwest elected officials interviewed all stressed the potential threat: The United States could find itself in a war, needing new munitions and related industrial production, with effectively *all* of our machine-tool design and production capability exported to other nations. These nations may not be allies, in part because of their exploitation by the very same low-wage outsourcing which made them the repositories of the machine tools now being auctioned off from Rochester, Toledo, and Irvine.

Congress finds itself in a use-it-or-lose-it situation, and has LaRouche’s proposed solution to enact.

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Machine tools from four Delphi plants, from Rochester, New York to Athens, Alabama, were auctioned off in April, although these plants are not scheduled to close down. Delphi is in declared bankruptcy, yet dissipating its productive assets.

Hundreds of Overdue Corps Projects To Restore Our Waterway System Are Unfunded

by Richard Freeman

America's waterway system is at a critical phase, where if something is not done to reverse policy decision-making, it could, due to age and obsolescence, experience a grievous breakdown. Already its condition is causing critical and growing delays in moving cargo of all kinds to ports or markets. The U.S. Army Corps of Engineers has Congressionally-mandated oversight to maintain America's 12,000 mile waterway system, including its 241 locks and dams, and thousands of miles of levees. It oversees the maintenance of the nation's 300 commercial harbors, through which pass 2 billion tons of cargo annually, and 600 smaller harbors; maintains 600 dams and reservoirs, including a significant amount of the nation's hydro-electric power; and monitors water flow levels in all. All these sectors have repair needs which require billions of dollars.

Half of the major lock chambers on America's inland waterways system exceed their design life of 50 years, causing periodic unscheduled shut-downs and paralysis. It is urgent that the upgrade and repair of the system take place. One quarter of these lock chambers are more than 70 years old. During the past 5 years, lock gates and chambers have broken down at choke points on the waterways system; and some of the concrete lining of some of the river system's banks have "spalled"—broken apart in chips or chunks.

The Cheney-Bush Administration has pursued and intensified the policy of gross underfunding of water projects that has been in force during the past three decades: Stated in 1996 constant dollars, the Corps' Civil Works appropriations has collapsed from a level of \$7.2 billion in FY 1975, to a level of \$4.1 billion in FY 2007, a drop of 43%. Driven by the cost-benefit voodoo at the Office of Management and Budget (OMB), the administration incorrigibly complains that the Congress has authorized too many water projects. The preface to the FY 2007 budget for Army Corps' Civil Works avers, "In recent years, many more construction projects have been authorized, initiated, and continued than can be constructed efficiently. . . . To remedy [!] this situation, and achieve greater value to the Nation from the Civil Works construction program, the budget focuses funding on projects that yield the greatest economic and environmental return. Work on low priority projects would be considered for suspension, and for those projects the budget provides funding either to complete each ongoing contract, or to terminate it and pay the Federal

share of settled claims, whichever is estimated to be less costly."

This has generated emotional debate in the Senate. Senate Majority leader Bill Frist—on Bush Administration orders, according to a well-placed source—has refused for 13 months to allow the FY 2005 Water Resources Development Act (WRDA) to come up for a vote. The WRDA, which traditionally authorizes water projects, contains new necessary water projects. In April, 81 Senators from both parties sent a letter to Frist demanding that he free the WRDA for vote—setting the stage for a showdown.

Lyndon LaRouche has called for a great expansion of water projects. In May, he forcefully called for rebuilding the U.S. Military around a Corps of Engineers function, rebuilding the Army from its current 12 divisions to the 18 divisions it had before Donald Rumsfeld's insane transformation downsized it. The troops of the added six divisions would carry out Army Corps of Engineers and related reconstruction functions. Driving this mission, would be the retooling of the now-discarded sections of the U.S. auto industry, so that its critical machine-tool capacity and skilled labor force would produce capital goods to reconstruct our nation's water systems—as well as transportation, power generation, etc. This would be financed with large infusions of cheap directed Federal credit.

EIR has discovered, tucked away at the end of the FY 2007 budget for the Army Corps, 350 water projects—for flood damage reduction, and navigation—that were appropriated in the FY 2006 budget, but suspended from the FY 2007 budget on a cost-benefit basis. Collectively, all these projects would generate hundreds of thousands of jobs, requiring capital goods and large quantities of semi-finished and raw material goods. This article presents an inventory of some of the most important water projects.

The Necessity of America's Waterways

The efficient U.S. inland waterway system transports 450 billion ton-miles of goods annually, about 15% of U.S. intercity freight transport (excluding petroleum going through a pipeline). Rationally, 25% or more of America's internal freight should go through water transport. But water transport's strong suit is not for goods that require delivery within 48 hours, but for those—usually bulk goods like

FIGURE 1

Critical Ready-To-Go Waterways Projects



Sources: U.S. Army Corps of Engineers; Waterways Council, Inc.; EIR.

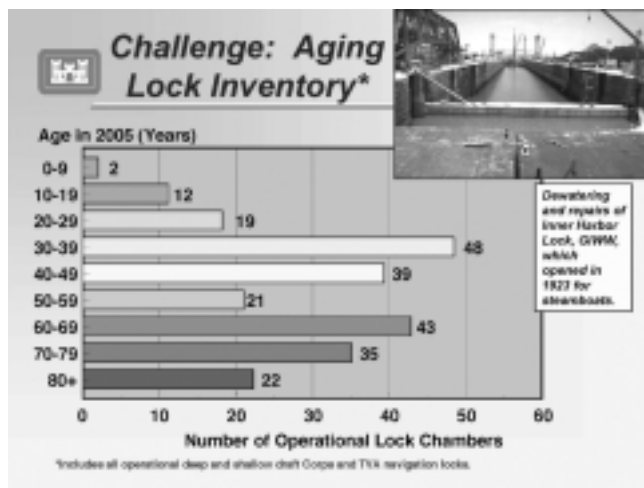
grain, coal, petroleum, etc.—which can be delivered in a time range of half a week to several weeks. An Army Corps engineer reported, “The waterway network is plied by commercial towboats, which push barges lashed together as tows, with each barge capable of holding 1,400-1,800 tons of cargo. A single tow of 15 barges carries the freight cargo equivalent to 870 tractor-trailer trucks.” Due to the fact that water provides natural buoyancy, it is a low-cost, fuel efficient freight mode.

During the 1933-45 Franklin D. Roosevelt Presidency, in particular, a full array of locks and dams, levees, spillways and causeways, etc., were built up and down the Mississippi River system, as well as the Ohio and Tennessee River systems. This development under FDR culminated an American System river development program which had been ongoing for 200 years.

A waterway network like this cannot stand still: it must be constantly repaired and upgraded. However, starting in the

FIGURE 2

Challenge: Aging Lock Inventory



Source: U.S. Army Corps of Engineers.

1970s, financial circles bent on de-industrialization, constricted the funding which maintains the system; the spectral grip of age and obsolescence took hold.

The process of Congressional approval of water projects is of special importance. To be built, a project has to undergo two steps. First, the Congress must *authorize* it, stating that the Congress approves of the project; which conveys to the responsible agency—like the Army Corps of Engineers—that it is okay to go ahead. But in a second step, the Congress must *appropriate* the funds, so that there is money extended, the *sine qua non* for the project's construction.

The Dick Cheney-driven Bush Administration has waged an all-out war against Army Corps water projects on both ends of the process: It has blocked the authorization of projects it wanted to kill; and when projects that the administration opposed have been authorized by Congress, the White House has acted to kill the appropriation of federal funds.

Figure 1 shows several projects that are crucial for the U.S. water system to survive. One of the most important projects shown there, is the integrated Upper Mississippi River system replacement (Locks and Dams 14-18, 20-22, 24-25) and Illinois River system (LaGrange and Peoria). The nearly 2,000 mile (3,333 kilometer) Upper Mississippi system comprises that section of the Mississippi, the Missouri, and the Illinois rivers. Most of the inland trade that flows into and out of such major Midwestern cities as Minneapolis, Chicago, and St. Louis—and trade from a good part of the Midwest is first concentrated in those cities—travels on this system. All but seven of its 38 locks and dams were built before 1940—under FDR's Presidency—and thus are 65-70 years old. Moreover, as a result of their age, most of the lock chambers

are only 600 feet long, whereas today's tow-barges are routinely 1,100 feet or longer: the tow-barges must break in half to pass through these aged locks, an unduly time-consuming procedure.

For these Upper Mississippi system locks and dams to be efficient, the construction of new replacement 1,200 foot lock chambers and 1,200 foot guidewalls is imperative.

Here one meets head-on the divide-and-conquer tactics of Dick Cheney and the OMB. For years, they have resisted building several of the locks and dams on the Upper Mississippi system. In the Water Resources and Development Act of 2005, S.726, the sponsors introduced authorization of several critical components, authorizing work projects on Locks and Dams 20-22, and 24-25 on the Upper Mississippi, and the LaGrange and Peoria Locks and Dams on the Illinois River. The Water Resources Development Act is the omnibus bill vehicle for water project authorization. The 2005 bill's original sponsor was Senator Kit Bond (R-Mo.), and more than half of the bill's original co-sponsors were Republicans. But Senator Bill Frist (R-Tenn.) used his power to run roughshod over the budgeting process. Though the bill was introduced in April 2005, Frist has devised ways, month by month, to stonewall the bill from getting to the Senate floor for a vote, even after 81 Senators wrote a letter this April telling Frist to stop his shenanigans and allow a floor vote on the WRDA. As of this writing, this still has not occurred.

How can this nation be committed to water development, if it will not allow this broad project to go through?

A reading of the 2005 WRDA shows that this is but one of several water projects that have not been authorized. Other projects contained in the Act which have not been authorized, and their price tags, include:

- The Bayou Sorrel Lock in Louisiana: \$9 million.
- The Akutan and Haines Harbors in Alaska: \$19.5 million.
- Storm damage reduction for Imperial, California: \$38 million.
- Hurricane and flood damage reduction from Morganza, Louisiana to the Gulf of Mexico: \$788 million.
- Flood damage reduction, Middle Creek, Lake County, California \$41.8 million.

The list goes on. By law, unless a project is authorized, appropriation of funds is out of the question. *The above are an exemplar of perhaps one hundred or more projects that are unauthorized, and accordingly, unappropriated projects.*

Authorized, but Unappropriated

However, one must consider the other great mass of water projects: those that are authorized, but unappropriated. Authorization is the first step. But there are hundreds more projects that were authorized, but the Wall Street-Cheney-OMB forces swarmed in to kill off appropriation of funds for them. These projects include some of the most

FIGURE 3

Partial List of Unfunded Projects

FY 2006 APPROPRIATIONS NOT IN FY 2007 PRESIDENT'S BUDGET			
INVESTIGATION (I), CONSTRUCTION (C) and OPERATION AND MAINTENANCE (O) APPROPRIATIONS			
Business Line	Appr	MSC	Project Name
FDR	C	SAD	Dare County Beaches, NC
FDR	C	NAD	Delaware Bay Coastline, DE & NJ Reeds Beach to Pierces Point
FDR	C	NAD	Delaware Bay Coastline, Pt. Mahon, DE & NJ
FDR	C	NAD	Delaware Bay Coastline, Villas, DE & NJ
FDR	C	NAD	Delaware Coast Protection, DE
FDR	C	NAD	Delaware Coast, Bethany Beach to South Bethany Beach, DE
FDR	C	NAD	Delaware Coast, Cape Henlopen to Fenwick Island, DE
FDR	C	LRD	Dover Dam, OH — Dam Safety Assurance
FDR	C	MVD	East Baton Rouge Parish, LA
FDR	C	MVD	East St. Louis & Vicinity (IFC), IL
FDR	C	NAD	Embrey Dam, VA
FDR	C	SAD	Folly Beach, SC
FDR	C	SAD	Fort Pierce Beach, FL
FDR	C	NAD	Fox Point Barrier - Narrangansett Bay, RI
FDR	C	MRT	Francis Bland-Eight Mile Creek, AR
FDR	C	SWD	Graham, TX (Brazos River Basin)
FDR	C	MVD	Grand Isle and Vicinity, LA
FDR	C	NAD	Great Egg Harbor Inlet and Peck Beach, NJ
FDR	C	LRD	Greenbrier River Basin (Marlinton), WV
FDR	C	POD	Hawaii Water Management, HI
FDR	C	SWD	Hunting Bayou, Houston, TX
FDR	C	POD	Iao Stream Deficiency Correction, HI
FDR	C	LRD	Indiana Shoreline, IN
FDR	C	LRD	Island Creek, Logan, WV, Local Protection Project
FDR	C	NAD	Jennings Randolph Lake, MD & WV (Dam Safety)
FDR	C	NAD	Joseph G Minish Historic Waterfront Park, NJ
FDR	C	SPD	Kaweah River, CA
FDR	C	NAD	Lake Merriweather, Goshen Dam and Spillway, VA
FDR	C	MVD	Lake Pontchartrain and Vicinity, LA (HP)
FDR	C	MVD	Larose to Golden Meadow, LA (HP)
FDR	C	SAD	Lee County, FL (Reimbursement)
FDR	C	LRD	Levisa and Tug Forks of the Big Sandy River and Upper Cumberland River, WV, VA, and KY

Office of Management and Budget

The White House FY 2007 budget again denies appropriation of funds to 11 pages worth of Army Corps infrastructure projects—some are shown here—which Congress has authorized. (In this list of projects, FDR indicates Flood Damage Reduction.)

vital, but also many smaller ones. They all won authorization, but lost the appropriations battle. These can be seen in Figure 1:

- **The Greenup Locks and Dam**—This Lock and Dam, built originally in 1959, is strategically situated on the Ohio River, at Greenup County, Kentucky, 24 miles downstream from Huntington, West Virginia. It is America’s eighth-busiest inland navigation lock, with a lot of coal passing through it. The main lock chamber is constantly in need of repair, shifting traffic into the auxiliary lock. The WRDA of 2000 authorized doubling the length of the auxiliary lock chamber to 1,200 feet; rehabilitating the main lock chamber; building a spare mitre gate system; and building a dry dock for construction. The total project cost is projected to be \$230 million (not counting rehabilitation). The President’s FY 2007 budget request for the project: \$0.

- **The John T. Myers Locks and Dam**—This Lock and Dam, built in 1969, is situated on the Ohio River, cutting between Posey County, Indiana on one river bank, and Union County, Kentucky on the other river bank. Coal, in addition to petroleum, iron, steel, chemicals, and grains, pass through

this heavily trafficked lock. The WRDA of 2000 authorized doubling the length of the auxiliary lock to 1,200 feet, so that it can be used more extensively. The total project cost is projected to be \$225 million. The President’s FY 2007 budget request for the project: \$0.

- **The Inner Harbor Navigation Canal Lock**—This lock, also known as the Industrial Canal Lock, is located in the New Orleans Industrial Canal, just off the Mississippi River. This canal connects the Mississippi River to Lake Pontchartrain. The current lock was built in 1923, making it more than 80 years old, and its small size causes delays ranging up to 24 to 36 hours for vessels using it. A replacement lock, that would double the length to 1,200 feet, has been authorized. This lock has been sorely neglected, simultaneously as New Orleans flood control protection was undermined, leaving the city vulnerable to Hurricane Katrina in September 2005. The Inner Harbor Navigation Canal Lock’s total project cost is projected to be \$655 million. The President’s FY 2007 budget request for the project: \$0.

The Congress has fought to overturn the Cheney-OMB lock-down, and has put some funds into these projects, although grossly inadequate.

These are some of the more considerable projects that have been authorized, but have been appropriated insufficient or no funds. And beginning page 105 in the President’s FY 2007 budget for the Civil Works program of the Army Corps of Engineers, there exists, a table entitled, “FY 2006 Appropriations Not in FY 2007 President’s Budget.” This list lists authorized projects from all 50 states that have been suspended, cut off from funds. Generally, these are smaller projects. Just adding up those which need to be undertaken for navigation, flood damage reduction, and hydro-electric, there are over 350 projects. This represents an inventory of infrastructure that, in the main, is worthy of Army Corps building. A copy of part of one page of this list in **Figure 3**. These are in addition to the large projects cited above.

Bringing to an end this Cheney-OMB era of slashing water projects, the passage of LaRouche emergency legislation can vigorously launch, *in toto*, 400-500 water projects, that will restore the integrity of America’s waterways and harbors, and put hundreds of thousands of people to work.

Business Briefs

Banking

Euro Central Bank Fears Hedge Fund Collapse

The latest semi-annual “Financial Stability Review” of the European Central Bank (ECB), for the first time, includes a chapter on the hedge fund sector. The report warns that an “idiosyncratic collapse of a key hedge fund or a cluster of small funds” poses one of the key risks for new shocks that could trigger fresh disruptions in financial markets.

The London *Financial Times* reported June 2 that the ECB review put a hedge fund collapse “in the same category as a possible bird flu pandemic as the type of shock that could trigger fresh disruption of financial markets.”

In addition to “potentially high leverage,” there is another area of grave concern: Hedge funds increasingly tend to use exactly the same kind of strategies. A measure for the correlation of hedge fund strategies has gone up sharply since summer 2003 and reached an all-time peak in 2005.

“In fact, the levels reached in late 2005 exceeded those that had prevailed just before the near-collapse of Long-Term Capital Management (LTCM), a very large hedge fund, in September 1998.”

This “raises concerns that a triggering event could lead to highly correlated exits across large parts of the hedge fund industry.” Already last year, during April, and then again during October, a number of hedge funds were suddenly suffering from heavy losses, with the April 2005 events being triggered by the downgrading of GM and Ford.

A particular section of hedge funds—those specialized on “convertible arbitrage strategy”—thereby on average “lost about 40% of capital under management in 2005.”

A possible trigger for new turmoil could be an “unexpected end of the recent global search for yield” due to the “tightening of global liquidity conditions.” This could “cause investors to withdraw their money abruptly, thereby exerting funding liquidity pressures on individual hedge funds. This

could trigger substantial sell-offs and challenge perceptions regarding the degree of liquidity prevailing in affected markets. Moreover, hedge funds could flood their prime brokers with large and simultaneous credit demands at a time when brokers themselves could be suffering from corrections in over-extended markets.”

The *Financial Times* featured the ECB report in a front page story headlined “ECB warns of hedge fund threat to stability.” It describes the ECB report as “the blutest official statements yet on the rapidly growing sector.”

The German-language *Financial Times* added that a confidential paper by the European Union economics and financial committee is circulating among officials, warning that the Euro-zone, because of the mix of national and supranational supervision structures, is “badly prepared for a financial crash.”

Hedge Funds

Reuters, Too, Says It’s Locusts’ ‘Meltdown May’

Its ‘Meltdown May’ For Hedge Funds” is the headline of a May 29 Reuters story, confirming what Lyndon LaRouche and *EIR* have said about the wild gyrations in the hyperinflated commodities markets during May, which are endangering hedge funds. “Many of the world’s roughly 8,000 funds lost between 3% and 6% in the first three weeks of May alone, with some having seen swings [losses] of 10% or more, investors and researchers said,” according to Reuters. Its source emphasized that the losses are getting worse, and “could trigger another round of closings” of hedge funds. One hedge fund manager pointed to the potential breakdown of trading on these markets, saying “The rest of the year will be much more difficult to trade, with people becoming more sensitive to risk.”

“Losses weren’t confined to metals, however, and that’s what is making the month so treacherous,” the report continues.

“Global macro funds that bet on currencies, commodities, and interest rates are said to have given up roughly 25%. Funds specializing in emerging markets and even mid-cap stocks, were said to have given back as much as 50%.”

“Meltdown May” is not the invention of the Reuters headline writer, but the catchphrase now current throughout the hedge-fund world.

The financial *Heuschrecken*, or locusts, are now like another insect, Byron’s famous “scorpion begirt by fire,” which stings itself to death.

Housing Bubble

Huge Declines in Sales Continue Across U.S.

For the third month in a row, pending home sales in the United States have fallen: 3.7% in April compared to March, and down 11.7% compared to a year ago. The steepest declines were in the Midwest and West, according to National Association of Realtors. Pulte Homes, the largest U.S. homebuilder, reported that orders in April and May plunged 29% from a year ago.

In its cover story May 29, *Barron’s* wrote of the collapse of the housing market. Entitled “The Big Glut: Trouble in Paradise,” it focuses on the “second home” market, describing at great length the element of speculation involved. In a notable understatement, *Barron’s* quips that the “second home market could use a second wind.” A realtor noted that “if you want to sell, you have to go back to 2004 prices.”

“The danger is that if enough of those [secondary home] investors decide the market has peaked, they could trigger a selling frenzy throughout the second-homes market.”

Unstated in the coverage was the degree of dependence of the U.S. banking system on the housing bubble, which is not only deflating in price, but is being impacted by rapidly rising mortgage default rates.

Now More Than Ever: Cheney Must Go!

by Jeffrey Steinberg

In a series of personnel and policy shifts at the end of May, some officials in the Bush Administration have, for the first time, shown signs of waking up to the grave strategic crises exploding around the world. The most profound of these crises is the imminent collapse of the entire global financial system, under the weight of commodity hyperinflation, hedge-fund blowouts, and the bursting of the real-estate bubble.

These cascading events, and the U.S. institutional moves to insert some element of competence into a Bush Administration notorious for its incompetence, shallowness, and neocon and fundy ideological zealotry, will all be of little consequence, if Vice President Dick Cheney is not immediately driven from office.

These are not only the views of Democratic Party statesman Lyndon LaRouche, but are shared by a large number of experienced political figures and intelligence community professionals. Some of these individuals also share LaRouche's continuing concern that, as long as Cheney is roaming the halls of the White House, in an ever-more-desperate state of mind, the danger of a preventive U.S. military strike against Iran will remain real—despite significant moves in recent days to defer such action.

One factor in the concert of anti-Cheney actions has been the wide international circulation of Lyndon LaRouche's warnings of terrorist attacks against the month-long World Cup soccer championships, which take place in a dozen German cities beginning June 9. Already, dozens of newspapers and websites in English, Arabic, Farsi, Russian, and Spanish have either reproduced the LaRouche warning, or reported extensively on it, since it was released on May 24.

No More Snow Jobs

On May 30, President Bush announced the resignation of Treasury Secretary John Snow, and named as his replacement

Henry Paulson, the head of the investment bank Goldman Sachs. Former Clinton Treasury Secretary Robert Rubin hailed the Paulson nomination, describing the Wall Street executive as a very competent manager, who will remain "cool" in the face of major crises. Rubin told the *Washington Post's* David Ignatius: "If you do run into problems, it's important to have someone at Treasury people respect. They do respect Hank and they should. He's a good choice." Ignatius went on to describe the Paulson appointment as "the Boltinization of the Bush White House," explaining, "Since taking over as chief of staff two months ago, Josh Bolten has overseen the firing of Porter Goss as CIA director, the installation of the telegenic Tony Snow as White House spokesman, and, now, the posting at Treasury of a man who epitomizes what's left of the old Republican Establishment—not just a white-shoe investment banker, but an environmentalist to boot."

Paulson, like Bolten (the son of one of the CIA's early operations officers and senior aides to then-CIA Director George H.W. Bush, Seymour Bolten), is one of the rare Bush Administration senior appointees to come from outside the small circle of trusted Bush cronies and Cheney sycophants. Josh Bolten worked under Paulson at Goldman Sachs prior to joining the Bush Administration. And former White House economic council head, now chairman of the President's Foreign Intelligence Advisory Board (PFIAB), Stephen Friedman, is another former Goldman Sachs executive.

According to one senior intelligence source, the Paulson appointment reflects an institutional move to install competent, experienced managers into top Cabinet crisis-management posts. Previously, the Bush Texas cronies were putty in the hands of the Cheney apparatus. Nevertheless, the source cautioned, Paulson does not bring in any new policies, and his Goldman Sachs background puts him at the center of the hedge-fund apparatus that has been a driving force behind the financial meltdown, ever since Alan Greenspan took over the



U.S. Navy/Chief Photographer's Mate Johnny Bivera

Vice President Dick Cheney is still smiling . . . but not for long. Here he is addressing Naval Academy graduates.

Federal Reserve in 1987, in the midst of the stock-market crash.

One former White House official emphasized that the imminence of a global financial catastrophe drove the decision to install Paulson.

Hayden and Kappes at CIA

A similar shakeup was advanced within the U.S. intelligence community during the week of May 29, as well, also reflecting a move to replace Cheney ideologues with experienced professionals. Following the rapid Senate confirmation of Gen. Michael Hayden as the new Director of Central Intelligence, one of the general's first orders of business was to name Stephen Kappes as the new deputy director. A veteran CIA operations officer with long experience in the Near East, Kappes was credited with playing a key role in the normalization of relations with Libya. He is a fluent Farsi speaker, and had been involved in back-channel efforts with Iran before his abrupt resignation, in protest over former CIA Director Porter Goss's ham-fisted purges of those suspected of "disloyalty" to the Cheney radicals at the White House.

As LaRouche noted, after General Hayden's confirmation, the institutions of the U.S. intelligence community, which have been decimated during the five years of the Bush-Cheney Presidency, are now in a position to repair damage and prepare for the post-Cheney era, when the real rebuilding work will have to ensue.

Iran Preventive War Setback

The most dramatic event of the week was the May 31 press conference by Secretary of State Condoleezza Rice, announcing that the United States was prepared to join the European Union and Russia in direct negotiations with Iran, so long as Iran freezes its nuclear-enrichment efforts.

Sources familiar with the Administration brawl over the

Iran policy shift report that Rice is seeking European Union, Russian, and Chinese backing for financial sanctions against Iran—if the Tehran regime rejects the U.S. overture. In return, the U.S. Administration has reportedly temporarily taken the option of preventive military strikes off of the table. Indeed, according to news reports of the June 1 meeting of the Permanent Five UN Security Council foreign ministers, plus Germany, in Vienna, Austria, the United States does not expect a response from the Iranian government until the time of the G-8 summit meeting in early July in St. Petersburg, Russia.

"This is a major setback for Cheney," LaRouche commented, following the Rice press conference. "Cheney had staked everything on an attack on Iran, sometime around June or early July."

LaRouche elaborated: "If the Bush-Cheney Administration were to go ahead with attacks on Iran, pretty soon, there would be no U.S. government left. Certainly not anything that we could recognize. We are already suffering tremendous economic strains, due to the costs of the disastrous U.S. military misadventure in Iraq. Add on top of that, an Iran attack, and you have all the ingredients for a general collapse of the entire world economy."

LaRouche noted that there was no alternative to an institutional intervention to shake up the Administration. "This is not a game of checkers," he said. "You have an insane administration, and the Congress, especially the Democrats in the Congress, are not responding sanely to the crisis."

Two other Cheney allies within the Bush Administration are also on the chopping block, as of the last week in May. Defense Secretary Donald Rumsfeld, already the target of the "revolt of the generals," for the Iraq quagmire, is now targeted for his role in the coverup of the November 2005 massacre in the western Iraq town of Haditha, where 24 civilians, including women and children, were gunned down by U.S. Marines. One senior retired Army source told this news service that the Haditha incident is the "tip of the iceberg. There are many other smaller-scale massacres being covered up. The Army and the Marine Corps have been broken, and Rumsfeld is to blame."

Members of Congress on both sides of aisle are also out for Homeland Security Department Secretary Michael Chertoff's scalp, after he announced significant cuts in homeland security/war on terror funds for New York City and Washington, D.C.

With Special Counsel Patrick Fitzgerald zeroing in on Cheney's role in the Valerie Plame Wilson leak, the perfect opportunity is there to force Cheney out now. As one retired CIA officer warned, you cannot put anything past Cheney, until he is out the door. Drawing a parallel between Cheney's schemes to orchestrate a military preventive strike against Iran, and Hitler's 1939 invasion of Poland, on a pretext of Polish aggression, the source cautioned that he would not put it past Cheney's faction to orchestrate an incident, providing a pretext for an Iran attack. "Remember the Gulf of Tonkin?" he asked.

Will Congress Buck Administration's Latest Abuse of Constitutional Powers?

by Carl Osgood and Nancy Spannaus

In the wake of the aggressive Congressional opposition, led by Republicans, to the unconstitutional midnight raid carried out by the FBI against the offices of Rep. William Jefferson (D-La.), Administration sources told the media that Attorney General Alberto Gonzales, FBI Director Robert Mueller, and Deputy Attorney General Paul J. McNulty had threatened to resign if President Bush failed to uphold their raid. Lyndon LaRouche had an immediate response: If they wish to be helpful to the President, in this, his hour of need, all three *should* resign.

In fact, it's not at all clear that the President will back up the raid, which was a blatant violation of the Constitution's protections of the Legislative branch. Within hours, Bush announced that the materials seized in the raid should be placed under seal, until the legal issues were resolved.

But this action did not stop the Republican Chairman of the House Judiciary Committee, Rep. James Sensenbrenner (R-Wisc.), from convening an extraordinary hearing the day after Memorial Day, when Congress was technically out of session. The subject was the FBI's violation of Article I, Section 6, of the Constitution, which protects members of Congress from arrest or prosecution for anything that they say during the course of legislative business. Sensenbrenner took testimony from three Constitutional scholars and a former member of Congress (all of whom opposed the raid), and declared that this was only the first of three hearings to be held on the subject.

The final hearing will call Gonzales and Mueller themselves.

It should be obvious that this is an open-and-shut case. The Framers, seeing before them—among other things—the intimidation of members of the British Parliament by the monarchy and other forces, gave members of Congress the explicit privilege of immunity for their “speeches and debates.” Despite much talk of “executive privilege” of late, neither the Judiciary nor the Executive Branch has any privilege specified in the Constitution; only the Legislature has. And this privilege has long been correctly interpreted by courts to cover all written and oral work-product prepared in the legislative process, not merely public speeches on the floor or in committee. That is why no such raid has ever been conducted for the last 219 years.

This raid on Congress, Lyndon LaRouche said, amounted to “the end of a dying regime.” He said that it was grounds for impeachment of Attorney General Gonzales.

An Extraordinary Hearing

With at least six members of Congress present, Sensenbrenner, in his opening statement, placed the raid in the context of the “speech or debate” clause of Article I, Section 6, of the Constitution. We include the bulk of his remarks below, along with excerpts of the statement by ranking Democrat John Conyers (Mich.). These are followed by portions of the presentations by the three law professors who testified: Prof. Charles Teifer of the University of Maryland, who also served as Counsel to the House of Representatives from 1984 to 1995; Prof. Jonathan Turley of Georgetown University Law School; and former Reagan-era Deputy Attorney General Bruce Fein.

The Next Step

It was only about one year ago that Congress, in that case the Senate, acted decisively and bipartisanly to stop another attack on the Constitutional separation of powers, by blocking Vice President Cheney's threat to end filibusters with the “nuclear option.” Now that the Constitution is challenged again, Congress as a whole cannot afford not to act.

The Administration itself is in quite a bind. Press leaks have suggested that the raid was actually *opposed* by the foremost proponent of Presidential dictatorial powers, Vice President Cheney's Chief of Staff David Addington. According to one high-level Washington source, the reason was his opposition to any action by the Department of Justice in its own right, because, as in the case of the appointment of Independent Counsel Patrick Fitzgerald, it might be a threat to the Administration itself.

It is widely known, of course, that the Department of Justice has a good number of other Congressmen in its sights, including Republicans. Some high-level Washington sources indicate that number could rise to as many as 20. But it would be wrong to see, as the public largely does, the bipartisan opposition to the raid as merely self-protective. What is at stake is the Constitutional separation of powers, no more, no less.

The Sensenbrenner Hearings

These are excerpts from the House Judiciary Committee hearing May 30, 2006, on the FBI raid on the Congressional office of Rep. William Jefferson.

Rep. James Sensenbrenner (R-Wisc.), Chairman: On May 20th and 21st, for the first time in 219 years, the Department of Justice entered a Capitol Hill office and removed documents and materials without the involvement of a single legal representative of Congress. Exactly what was taken is known only to the Department of Justice.

Certainly, any member of Congress who has committed a crime should be prosecuted for his criminal acts. But the issues involved in this unprecedented action by the executive branch transcend any particular member.

A constitutional question is raised when communications between members of Congress and their constituents, documents having nothing whatsoever to do with any crime, are seized by the executive branch without constitutional authority.

This seizure occurred without so much as lawyers or representatives of Congress being allowed to simply observe the search and how it was conducted. Neither was anyone representing the institutional interests of Congress allowed to make a case before a judge raising these important separation of powers issues.

Our founding fathers Thomas Jefferson and James Madison made clear that a general legislative constitutional safeguard designed to prevent encroachments by the executive branch upon the legislative branch is embodied in Article I, Section 6, Clause 1 of the Constitution, which provides, "The senators and representatives shall not be questioned for any speech or debate in either house."

The purpose of the speech or debate clause was aptly summarized by the Supreme Court in *Eastland v. U.S. Servicemen's Fund*, in which it stated: "The central role of the clause is to prevent intimidation of legislators by the executive and accountability before a possibly hostile judiciary". . . .

In the case of Representative William J. Jefferson, the search warrant the Justice Department obtained from the federal judge allowed for his congressional office to largely be combed over, with materials including computer hard drives placed in the sole possession of the Department of Justice.

The materials taken very likely include communications created in the course of legitimate legislative process that have nothing to do whatsoever with the criminal inquiry into Representative Jefferson's activities.

The Justice Department had the ability to seek enforce-

ment of their federal grand jury subpoena in federal court to obtain the same documents seized from Congressman Jefferson's Capitol Hill office but chose not to do so. The Justice Department has historically used grand jury subpoenas to obtain documents relevant to a criminal investigation of a congressman or senator. . . .

Rep. John Conyers, Jr. (D-Mich), Ranking Member: This is a historic moment in the House of Representatives. I've been on the Judiciary Committee for four decades now, and never has anything of this nature come to our attention and require that we try to bring the three branches of government into more harmony.

Now, there's no doubt that members of Congress are not above the law. The Public Integrity Unit at the Department of Justice is an aggressive, professional unit. They've convicted one member of Congress this year already, and have several pending investigations. They have the full power of not only the Federal Bureau of Investigation, but the grand jury behind them. And they can be quite persuasive and resourceful when they're interested in obtaining evidence or witnesses in corruption investigations.

But the procedures employed on the Saturday night in question were sloppy at best but reckless at worst.

What we have brought down on our heads is 219 years in which, in this history of the United States, have been able to avoid the spectacle of the Federal Bureau of Investigation swooping down into the Capitol in direct confrontation with another duly empowered police force.

Ten days after the fact, we have yet to be told why the pending subpoena against a member could not have been enforced consistent with the law. We've never been told why this search had to be done in the middle of the night, at a time when the constitutional representatives of this body were unreachable.

And we've never learned why the member in question was not permitted to have his attorneys present while his offices were searched for some 18 hours. . . .

Rep. Robert C. Scott (D-Va.): . . . But there is a concern with this because this kind of search hasn't happened in the history of the United States. Over 200 years, it hasn't happened. It didn't happen in Representative Cunningham's case. It hadn't happen in any Abramoff investigations. It didn't happen when Representative Traficant was accused of taking kickbacks right from his office. Wasn't used in the bank scandal or even Abscam.

What is so special about this case that this procedure had to be used?

It is also a concern about the breadth of the subpoena. I think the analysis would be different in the subpoena had been based on the fact that a reliable informant had said that, "There's evidence that can be found in the lower left-hand drawer." Say, the money was there. They went in, executed the search warrant, came out with the money, and left.

I think the analysis would be a little different than the FBI staying there for 18 hours, rummaging through everything, including documents, which you have to read all the documents to know what you have, which means all of the sensitive information, all of your sources, if you're having an impeachment inquiry, all of that information gets to be read, sensitive information from constituents, all is read before you can get to anything that you know you might use. . . .

Charles Tiefer, Professor, University of Baltimore School of Law: I was solicitor and deputy general of the House in 1984-1995. That's the office that represents the bipartisan leadership group of the House of Representatives in court.

The framers' purpose in the speech or debate clause of the Constitution was, "to prevent intimidation by the executive," of the Congress. That's the Supreme Court's term, "intimidation." And the clause applies to all the records in the Congress of legislative activities: not just floor speeches and bills, but most of the work in committees and legislative caucuses.

Its privilege is not that it puts members above the law. Members are frequently investigated, frequently charged, frequently tried, frequently convicted. But it is an absolute privilege against law enforcers getting or seeing or using the legislative records I just talked about.

During my 11 years in service for the House and 4 years in a similar Senate office before then, many investigations occurred successfully of members of Congress. I cited some of them in my testimony. They started with Abscam, which occurred soon after I started work. We had Congressman Flake, Congressman Biaggi, Congressman Rostenkowski, Congressman Swindoll, Congressman McDade. Several of these were acquitted, several of these were convicted. The process succeeded, it worked.

Not during that time, not before then, not since then in two centuries has the Justice Department ever resorted to a raid on Congress to get its evidence.

Now, this raid had all the elements of unconstitutional executive intimidation. It breached what I have just described, a previously sacrosanct constitutional tradition. Without—

not just without a showing of a unique necessity, but not even a claim of unique necessity. . . .

And now we look at those methods. What were those methods? I think that the opening statements of the chair and the ranking member and the other members have ably brought out what was involved in those methods: sweeping, indiscriminate wholesale search by the FBI of the entire office of this member for 18 hours during the night and the downloading of the whole hard drive of his computer, besides carting away reams of documents.

When you take the whole computer of a member of Congress, that means you're catching countless innocent constituents in there in your dragnet.

And since every congressional office contains extensive privileged legislative materials—because that's what the members are here to do, legislative work—that means that there inevitably was a wholesale constitutional violation, a wholesale intrusion by executive agents, in an intimidating way, of legislative materials.

Furthermore, there was the exclusion of the House counsel even as a mere observer, and neither the representative nor any counsel were enabled to make privileged objections. Instead, the Justice Department appointed itself to look into everything and to decide for itself what was privileged. . . .

Jonathan Turley, Professor of Law, George Washington University Law School: There have been very few times that this House has faced a moment of self-definition, where your identity and your independence are at issue.

The raid on this office of Representative Jefferson represents a profound and almost gratuitous insult to a coequal branch of government. In the history of this country, no President has ever ordered or allowed a search of the office of a sitting member of this House.

Now, there's a reason for that, that over 200 years this hasn't occurred. It's not because there has been a lack of interest of criminal investigators; there have been many investigations and many prosecutions. But there has been a tradition of mutual respect and mutual restraint between the branches. What occurred on that Saturday night shattered that tradition. . . .

And by the way, there's this great irony that in this administration there seems to be no limits as to claims of what executive privilege means; that executive privilege covers the Vice President, covers everything that comes within a mile of the White House.

Executive privilege isn't mentioned in the Constitution; it was created by the courts. And yet you have this robust interpretation. But the privilege that is mentioned, apparently is too small to even slow an FBI raid on an office.

Bruce Fein, former Reagan-Bush Justice Department official: Mr. Chairman and members of this committee, checks and balances are every bit as indispensable to our civil liberties as the Bill of Rights. And yet the Bush Administration has been bent on a scheme for years of reducing Congress

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to akin to an extra in a Cecil B. DeMille political extravaganza: signing statements that are the equivalent of line-item vetoes; the assertion of executive privilege to deny Congress any authority to oversee executive branch operations; a claim of inherent presidential authority to flout any statute that he thinks impedes his ability to gather foreign intelligence, whether opening mail, conducting electronic surveillance, breaking and entering, or committing torture.

This latest use of a search warrant by the executive branch to rummage through the files of a member's office is simply an additional instrument of the Bush Administration to cow Congress.

It is exceptionally important that the Congress respond clearly and authoritatively with a statute that rejects the authority of the executive branch, whether or not a search warrant is authorized by a judge, to look through the files of a member's office and glance at legislative protected materials under the speech or debate clause.

That kind of authority can be abused to intimidate, to cow Congress into submission to executive desires.

Principles unchecked lie around like loaded weapons, and they will be used for political purposes whenever an urgent need is claimed by the incumbent. That's why it's so important to reject the principle involved in the search warrant, not focus on the details of the Jefferson warrant and search.

The speech or debate clause is violated whenever the executive branch would obtain a search warrant that would require reading the files of a member's office in order to determine whether any of the documents fit the demands of the search warrant. And that's the only way in which a search warrant for documents can be implemented. You have to read every file to know whether or not it identifies something in the search warrant. And that, inescapably, means when you're searching a legislative office, you must come across speech-or debate-protected materials.

Impeachment

Rep. Darrell Issa (R-Calif.): We have—and I hope this is appropriately controversial—we have the power to impeach the attorney general. We have the power to impeach that particular judge who decided that our body, particularly even our own very small police force, had no powers to stop the other two branches. . . .

Turley: But I also want to encourage you that the framers gave you the ability of self-defense. You have appropriations authority, oversight authority, you have, ultimately, the impeachment authority. And I don't consider that to be such a trivial question. I think that when you have an offense that strikes at the separation of powers, you're talking about something that threatens the very stability of the system. You have those powers, and I hope that you will use them, because the framers expected that you would jealously protect your own authority, because I promise you the other branches are not likely to do so with as equal vigor. . . .

Enron Trial

Lay, Skilling Convicted; Criminal System Remains

by Harley Schlanger

As one who has been watching Enron closely since the mid-1990s, I cannot say I was surprised by the convictions last week of founder and CEO Ken Lay, and his protégé and former CEO, Jeffrey Skilling. In their trial in a Houston federal court, the jury found Lay guilty on all six counts against him, and Skilling guilty on 19 of 28 counts. The sentencing is set for Sept. 11, 2006, and both men face the real possibility of spending the rest of their lives in prison.

Attorneys for the two are expected to file appeals of their convictions. The appeal process will likely be the final public act of the two, whose fall from power was meteoric. At one time, Enron was the seventh-largest corporation in the United States. It was hailed by Wall Street as the new corporate model, praised in the financial media as the nation's "most innovative" company. Its corporate leaders proclaimed it to be on the verge of becoming the "World's Greatest Company."

When Enron was flying high, Lay and Skilling could do no wrong. They were the super-stars of the new era of a deregulated post-industrial "market" economy. They were described in terms usually reserved for our nation's military heroes—as bold and brilliant, creative and fearless. Lay was a close friend of the first President Bush, and "Dubya" Bush knew him as "Kenny Boy." Though the younger Bush flew around Texas in one of Enron's private jets during his campaign for Governor of Texas, he now seems to have short-term memory loss when Lay's name is mentioned!

Lay was also on the short list of "advisors" to Vice President Cheney, who included him among his inner circle during his secretive efforts, in 2001, to pass the most cartel-friendly energy legislation in U.S. history. Cheney, who is not known for his sense of irony, saw no problem with Lay serving in this capacity at the exact moment Enron was leading a pack of corporate pirates in looting California, "gaming" the system while causing rolling blackouts statewide through its illegal practice of withholding electricity during times of peak demand.

Synarchy and Empire

Since the late 1990s, my colleague at the *Executive Intelligence Review*, John Hoefle, and I have chronicled Enron's role in pushing through the total deregulation of not just



PBS

Milton Friedman, with his visible hands, here in an advertisement for his PBS television show "Free to Choose." He and other FDR haters worked to resurrect the discredited ideas of British East India Company propagandist Adam Smith to launch free trade and deregulation of the economy, upon which Enron's existence was based.

energy-related markets, but of financial markets, as well. We were guided in our investigation by Lyndon LaRouche's unique analysis of the post-World War II economy, a method of analysis which has enabled him to make nine precise, accurate economic forecasts from the early 1950s to the present. Since Richard Nixon's Aug. 15, 1971 emergency actions, which ended the fixed exchange system established at Bretton Woods after World War II, LaRouche has been virtually alone in his warnings that deregulation and the so-called free trade policies of "globalization" are not a "natural" outgrowth of "information technology" and political "democracy," but are instead a modern form of empire, modeled on the usury-driven, slave-trading Venetian Empire.

This new form of Empire grew out of the drive to destroy the nation state, promoted by the same Synarchist banking networks which backed the fascist movements in Europe in the 1920s, not to realize the much-hyped "new" potential inherent in powerful computers and "information technologies." The nation state has been the target of the Synarchists, especially since the 1932 election of Franklin Roosevelt, as FDR used the powers of the republican institutions of the nation, as specified in the U.S. Constitution, to defeat the private bankers in the U.S., who were allied with European Synarchists.

Among the most important measures adopted by FDR were those of regulation, especially bank regulation, which thwarted the intentions of U.S. bankers and financial networks to join with their European brethren—for example, those from Lazard Frères and Banque Worms—to clear the

way for a global fascist government, which would act in the interest of the cartels.

The adoption of the Bretton Woods monetary system at the end of the war was instigated by Franklin Roosevelt, as a means of ending forever the power of cartels to impose colonial dependency on the so-called developing sector. In doing this, FDR was not merely acting to put an end to the desires of the British to reestablish their Empire, but to defeat the bankers behind that drive. His Treasury Secretary Henry Morgenthau, who worked with him in crafting the Bretton Woods system, stated that he hoped its implementation would "drive the usurious moneylenders from the temple of international finance."

What Created Enron?

Despite the efforts of the myth-makers—both those on Enron's payroll, and those in the financial media—to convince a gullible population of consumers that Ken Lay and Jeff Skilling were geniuses in business, who invented a new model which could create gold out of paper, the real creators of Enron were a group of FDR-haters who despised the idea of the "General Welfare."

Centered around Milton Friedman and Arthur Burns, these quackademics, as Lyndon LaRouche called them, worship a deity they call "the market." At heart, this is just a rearming of the discredited ideas of British East India Company propagandist Adam Smith, whose "invisible hand" is a more reliable pick-pocket than Dickens' Artful Dodger. Friedman was given a Nobel Prize in 1976, to aid his effort to resurrect Smith's 18th Century economic liberalism.

"Markets are self-correcting," he preached, in his sophomoric scree, "Free to Choose," which grew out of his television show, aired on PBS. Any efforts by government to interfere with the market's operation "were doomed to failure." Friedman and his University of Chicago "Boy's" free trade nostrums were given a test run in Chile, under the fascist regime of Gen. Augusto Pinochet. The economic hit team which imposed these policies was run, at the top, by today's two leading Synarchists, George Shultz and Felix Rohatyn. (It is no coincidence that the attempt to privatize Social Security undertaken by the pathetic Bush Administration was modeled on the policy imposed on Chile, by force of arms!)

From Chile, the disease of neo-liberal policies of "market capitalism" spread to Great Britain, where Margaret Thatcher ripped apart the social safety net to "free the entrepreneurial

spirit” of the British economy. Her famous dictum, “There is no way you can buck the market,” became cant for the Reagan Administration, with its Laffer curve/tax cutting policies which, when combined with aggressive deregulation, accelerated the rate of the post-industrial disintegration of the U.S. economy.

How Deregulation Killed the U.S. Economy

How did this work? A compressed timeline gives some of the highlights as to how “trading” replaced manufacturing, infrastructure development, and agricultural production as the basis of the U.S. economy:

- 1973: The Chicago Board of Trade, under Friedman’s influence, opened an exchange for trading share options;
- 1974: The Commodities Futures Trading Commission (CFTC) was established to oversee derivatives trading;
- 1975: Gold futures derivatives trading begins;
- 1975: The Government National Mortgage Association, Ginnie Mae, begins trading mortgage futures;
- 1976: The Chicago Mercantile Exchange introduces trading in “Eurodollar interest rate futures.” Since it is impossible to “deliver” an interest rate, this was the first “undeliverable” derivative, i.e., a trade which is backed by nothing of value or substance! No one even knew if it was legal to make this kind of trade, until the CFTC ruled it to be legal in 1981;
- 1978: Trading opens in crude oil futures, just in time for prices to skyrocket in the second oil hoax of the 1970s;
- The floodgates for “financial innovation” were swung wide open under Paul Volcker’s term at the Federal Reserve, paving the way for trading in such exotic entities as “negotiable rate swaps,” “income warrants,” “butterfly swaps,” “swaptions,” “futures,” etc. These were increasingly done in “over-the-counter-trades” (OTC), which were done away from the exchanges, i.e., without regulation.

The deregulation of trucking, airlines, rail, banking, oil and natural gas trading, electricity, telecommunications, etc., opened the door for new forms of trading, as speculation replaced industrial production as the source of economic growth. One author, Edward Chancellor, wrote that by 1990, “speculators were now portrayed as benign economic agents who helped markets assimilate new information and made markets more efficient.” It was now accepted that “speculators serve to increase the productive capacity of an economy by providing liquidity in the financial markets, thus reducing the cost of capital for companies.”¹

(This same argument was recently made by Rohatyn, to counter LaRouche’s call for FDR-style Federal government intervention to save the U.S. auto industry. Rohatyn lied that “private funds” can now replace government as a source for funding major infrastructure and industrial projects.)

1. Edward Chancellor, *Devil Take the Hindmost: A History of Financial Speculation* (New York: Farrar, Strauss & Giroux, 1999), p. 329.

Enron was spawned in the environment created by this series of successive attacks on the regulation of U.S. industries and businesses. Only one addition was needed to enable Enron to morph from an oil-and-gas pipeline business into the derivatives trading monster which collapsed spectacularly in 2001: the ruling, by CFTC chairman Wendy Gramm—wife of neo-liberal windbag Sen. Phil Gramm—which fully deregulated derivatives trading. Wendy Gramm, who was appointed CFTC Chair by the first President Bush, was rewarded by being given an appointment to Enron’s Board of Directors, when she left the CFTC.

The System Is the Criminal

The convictions of Lay and Skilling were the result of an effective presentation by government prosecutors of how they organized and oversaw illegal operations to push up Enron’s stock price. They used elaborate, complex schemes to hide losses, then lied to shareholders. It is likely that the jurors, who reached their verdicts quickly, saw themselves as representatives of all those who suffered losses due to the criminality of Lay and Skilling.

But, while the verdict represents justice, it is justice-in-the-small. The full effect of Enron’s rise and fall is now playing itself out on the turbulent financial and commodities’ markets. Enron played a key role in pushing forward the deregulation of commodity markets, and a vast expansion in derivatives trading. That expansion continued after Enron’s demise, as the same Wall Street propaganda machines which hyped Enron on the way up, as a model of shareholder values, is now peddling the line that Enron was a victim of internal greed and corruption, but that the system is fundamentally sound.

Frank Partnoy, a professor at the University of San Diego School of Law, wrote of Enron that, under the regulatory standards and accounting practices which had evolved by the late 1990s, it was “following the letter of the law in nearly all of its dealings, including deals involving off-balance-sheet partnerships.” He concludes that Enron was not a big story in itself—despite its stunning rise and fall—“but as a symbol of how fifteen years of changes in law and culture had converted reprehensible actions into behavior that was outside the law and, therefore, seemed perfectly appropriate, given the circumstances.”²

The Enron case provides both the Congress and the regulatory agencies still standing, an opportunity to adopt long-overdue re-regulation, as part of an overall national bankruptcy reorganization. No economic “reform” which falls short of this requirement, which has been put in legislative form by LaRouche, in his Emergency Recovery Act of 2006, will repair the damage, of which the Enron fiasco is just one small part.

2. Frank Partnoy, *Infectious Greed: How Deceit and Risk Corrupted the Financial Markets* (New York: Henry Holt & Co., LLC, 2003), p. 298.

Congress Must Launch Emergency Action Now!

The following resolution, calling on the U.S. Congress to enact emergency legislation to save the U.S. auto industry and its crucial machine-tool component, is being circulated for endorsement by the LaRouche Political Action Committee (LPAC). More than 100 state legislators, county council, and city council members, trade union officials, former Congressmen, and other leading figures from across the United States, have added their names to an ad which will appear in the influential Capitol Hill weeklies The Hill (Wednesday, June 7) and Roll Call (Thursday, June 8).

The resolution is based upon Lyndon LaRouche's proposal for "Emergency Legislation, Now!" which is currently circulating in mass pamphlet form under the title "The U.S. Economic Recovery Act of 2006." LaRouche's objective in issuing that proposal, was to get immediate Congressional action, before the world financial system is hit by the next dramatic breakdown crisis, now impending by Fall at the latest.

Members of the LaRouche Youth Movement (LYM) are spearheading the fight for the legislation, through organizing at state legislatures, Democratic state conventions, labor unions, and on the street. They are coordinating their efforts with a LYM team in Washington, D.C., which is meeting with Congressional offices, and fighting to get sponsors, and cosponsors of the legislation. Over the week of June 5 to June 9, approximately 100 members of the LYM will converge on the nation's capital to carry out a concerted push for the bill's introduction. At the conclusion of that week, Lyndon LaRouche will hold an international webcast, providing an evaluation of where the battle stands, and the immediate perspective for continuing the fight (June 9 at 1:00 p.m. Eastern Time, www.larouche-pac.com).

LaRouche has defined the battle for passing this legislation as a crucial benchmark for reversing the economic and political decline of the United States, as well as for reorienting the political parties toward the essential tasks before the nation. LPAC organizers report that constituency leaders around the country understand this idea, and are determined to get their Congressmen to act.

Here is the text of the resolution:

In March of 2005, Lyndon LaRouche warned that General Motors was facing imminent collapse. He called for Congress to intervene with an emergency reconstruction policy

designed to save the industry as a whole, as a crucial component of a drive for overall economic recovery. He proposed that the Federal government intervene by placing the productive capacity of the industry into government-supervised receivership, and then fund the retooling and expansion of that capacity to supply the components of desperately needed national infrastructure projects. He stressed that any liquidation of the present structure of the physical productive capacities of the auto industry, especially its machine-tool sector, would do irreparable damage to our physical economy and mean not only the end of the United States as a leading physical economic power, but would also result in related kinds of chain-reaction damage to the world economy as a whole.

The world financial system is already in a state of mixed hyperinflationary and deflationary collapse, which necessitates instituting an FDR-style recovery program to save civilization.

The Congress's failure to act then has brought us to the point that today, 65 major auto-sector plants, with over 75 million square feet of machine-tool capacity, are being shut down this year and next. These shutdowns will cost 75,000 skilled industrial jobs directly, and 300,000 more through immediate radiating effects on smaller supply plants and machine-tool shops. What is about to be shut represents the capacity to build over 2.5 million cars and light trucks a year. But, more importantly, in terms of urgent national economic investment, it represents a unique industrial capability to build an urgently needed new national infrastructure of transportation, power, and more.

LaRouche has authored a statement of principle titled *The U.S. Economic Recovery Act of 2006*. It calls on Congress to intervene to save our auto capacity *now*; to retool the 50% or more unutilized capacity of the auto industry for production of new national infrastructure, particularly high-speed rail corridors and new electricity grids centered on nuclear power. It gives us the opportunity to save ourselves; to turn our nation, and the world, onto a course of prosperity, and away from the current descent into a New Dark Age. Already, state legislatures in Alabama, Vermont, and Rhode Island have weighed in with memorials to Congress demanding that Congress enact this retooling legislation. They have been joined by city and county councils across the nation's industrial heartland.

We urge members of Congress, regardless of party affiliation or geographic origin, to enact the urgently needed emergency Federal legislation specified in the *U.S. Economic Recovery Act of 2006* to prevent the threatened immediate collapse and shutdown of the physical productive capacity of the U.S. auto sector and to put our nation on the road to becoming, once again, the greatest productive economy in the world.

National News

General Batiste ‘Mad As Hell’ at Rumsfeld

Maj. Gen. John Batiste (ret.), who resigned last year after having spent a 12-month tour of duty in Iraq’s Sunni Triangle, has escalated his public campaign for the resignation of Defense Secretary Donald Rumsfeld.

“I’m as mad as hell,” he told London’s *Daily Telegraph* in an interview published on May 28. “I’m not stopping. They can hand wave me off, dismiss me, but I’m coming back, again and again and again, until there is some accountability.” Batiste said he had “growing support on both sides of the Congress.” He charges that Rumsfeld went to war with too few troops, then refused to listen to commanders who demanded more. “There were insufficient troops on the ground by a factor of two-and-a-half to three,” he said. Rumsfeld’s “contemptuous, arrogant, and dismissive attitude” led him to ignore competent military advice, said Batiste.

On the basis of his experience as the senior military aide to then-Deputy Secretary of Defense Paul Wolfowitz, Batiste stated: “You can’t tell that man [Rumsfeld] anything because he knows it all.”

Bush-Man in Ohio Pleads Guilty on Election Fraud

Ohio Republican fundraiser Tom Noe, a former Maumee coin dealer and one of 19 Ohio Bush-Cheney Pioneers, pled guilty May 31 to illegally using friends and associates to funnel \$45,400 to President Bush’s reelection campaign. Noe, facing up to 15 years in prison and fines up to \$950,000, had previously denied his guilt and was set for trial July 24, but decided to plead guilty to three federal charges and hope for a reduced sentence for accepting responsibility.

Noe still faces 53 state felony counts related to his handling of \$50 million in rare coins and other items for the Ohio Bureau of

Worker’s Compensation. His trial on those charges is scheduled for Aug. 29.

In a related development, the head of the Ohio Workmen’s compensation fund, Terence Gasper, pleaded guilty on state charges to money laundering and ethics violations. He took \$25,000 from Tom Noe. Gasper is also facing Federal charges.

Did U.S. Forces Use Beam Weapons in Iraq?

The Italian national TV network Raitre broadcast on June 1 a documentary film on the suspected use of directed-energy weapons by U.S. forces, during the decisive “battle of the airport,” for the control of Baghdad, in April 2003. The film was produced by Sigfrido Ranucci, who last year reported on the use of phosphorus bombs in Fallujah.

The beam-weapon story has not been confirmed by *EIR*, and is reported here as an investigative lead. It is based on eyewitness reports, including from doctors at the Baghdad hospital, and Geerd Ven Moorter, a volunteer doctor who has worked in Iraq for the Belgian organization Medical Aid for the Third World.

All of these witnesses report that they saw civilian victims in a bus whose corpses were burnt and reduced in size; some of them were mutilated on the head or arm. Eyes were missing and teeth were burnt. The bus itself looked as though it had been melted down and was reduced in size. Only the driver survived, apparently without injuries, although people around him were slaughtered by something that did not leave any sign of explosive or objects driven by kinetic energy. The Belgian doctor recalled that he had seen a U.S. Humvee with a strange “blue eye” mounted on top, on the streets of Baghdad, and connected the two experiences, under the hypothesis that some sort of beam weapons had been used during the battle.

Ranucci’s film interviews several U.S. specialists on beam weapons, and shows a clip from a press conference with Secretary of Defense Rumsfeld and Gen. Richard Meyers prior to the Iraq War, in which a

journalist asked whether the U.S. Army would experiment with new kinds of weapons in the upcoming war. Rumsfeld appeared destabilized by the question and deferred to Meyers, who said: “I think that General Franks has been willing to use new ‘things,’ if any of them are available; and he was intending to use them in battle, even before they were fully tested. And I think that this . . . without referring in particular to directed-energy and high-power microwaves, but, sure, . . . we will go on in this direction” (retranslated from Italian).

After the broadcast, producer Ranucci received a death threat, in the form of a bullet in a mailed envelope.

‘Grover Norquist Dem’ Smears Webb in Va. Race

Harris Miller, the “Grover Norquist Democrat,” is spending big for smear mailings and calls against Jim Webb, his opponent in the June 13 Virginia Democratic primary for the seat of Senator George Allen. That and his other attributes have earned him the backing of the “liberal” Synarchist *Washington Post*.

Some have called Miller the “anti-Christ of outsourcers.” From 1995 to 2006, Miller was President of the Information Technology Association of America (ITAA), the trade association of the giant corporations in telecommunications, electronic commerce, and systems integration.

The national AFL-CIO condemned Miller as anti-union in a pre-primary letter to the Virginia AFL-CIO.

Miller was a leading lobbyist for Diebold in its campaign for touch-screen voting. He and his trade association gave major contributions to Republicans.

As a globalization-fanatic “Democrat,” Miller is smearing Webb, the former Secretary of the Navy under Ronald Reagan, for having been a Reagan Republican and only a recent anti-war convert to the Democrats.

A *Washington Post* editorial June 2 endorses Harris Miller and attacks Jim Webb’s “strident populism on trade policy . . . xenophobic sloganeering and business-bashing.”

Fight Over Earmarks Dominates Debate

The conservative Republican Study Committee, chaired by Rep. Jeff Flake (R-Ariz.), has found little support so far in its campaign against earmarks, but has been able to create a lot of noise about the issue. The fireworks reached a high point on May 19, when RSC member Rep. Jeb Hensarling (R-Tex.) successfully struck out a number of provisions from the Military Quality of Life-Veterans Affairs appropriations bill on the basis that they were in violation of the House rules, a maneuver that did not require a roll call vote to sustain it.

But Hensarling's maneuver angered Republican members of the House Appropriations Committee, highlighting the split that has developed within the Republican caucus in recent months. Rep. James Walsh (R-N.Y.), the chairman of the Military Quality of Life-Veterans Affairs Appropriations Subcommittee, told Hensarling, "We are a nation at war," and the projects struck from the bill are vital to the war on terrorism.

Rep. Jerry Lewis (R-Calif.), the chairman of the full Appropriations Committee, said, "What we would appear to have before us are members unilaterally identifying paragraphs that they are not particularly pleased with . . . that specifically affect our military effort in the Middle East." He added, "To exercise themselves in a way that undermines our efforts . . . is an affront to the work that we are all about. . . ."

The next week, Flake tried to strike more earmark provisions by amendment, from the Agriculture and the Energy and Water Development appropriations bills, but none of his amendments was able to garner more than 92 votes, and about half of them were defeated on voice votes. Rep. David Obey (D-Wisc.) agreed that ear-

marks were out of control, but, he said, if the conservatives were serious about fiscal responsibility "they would not pick and choose a few random earmarks to go after on the floor." Instead, he argued, they would go after authorization bills and tax bills, both of which are often full of earmarks and special privileges.

Senate Passes Mine Safety Legislation

On May 24, the Senate unanimously passed legislation to improve safety in coal mines. The bill is in response to the string of accidents that have killed 31 miners already this year. (Twenty-two died in all of 2005.) The legislation, as described by Senate Health, Education, Labor, and Pensions Committee chairman Mike Enzi (R-Wyo.), would require mine operators to develop and update emergency response plans designed to make mining accidents more survivable. The plans would be required to incorporate improved systems for communicating underground, for locating miners underground, and to provide extra oxygen for miners trapped underground.

The legislation also includes requirements for mine rescue teams and enhanced penalties for operators who fail to comply with the new requirements. Sen. Edward M. Kennedy (D-Mass.), the ranking Democrat on the HELP Committee, said that the passage of the bill "is a very clear indication that this Senate gives the highest possible priority to the workers and their families and safety and security."

The Senate action increases the pressure on the House, coming as it has only days after an explosion in a mine in Harlan County, Ky. killed five miners. Rep. George Miller (D-Calif.), in a May 25 letter, called on

House Education and the Workforce Committee chairman Buck McKeon (R-Ohio) to take up the Senate bill, with three amendments to strengthen the Senate provisions on communications, underground location devices for trapped miners, and supplementary oxygen. "With these additions to the Senate bill," Miller wrote, "Congress will have taken a vital first step to providing miners with the protections they deserve."

Immigration Bill Faces Tough Conference

After weeks of debate and delays caused by fights over amendments, the Senate finally completed action on its immigration reform bill, on May 25, by a vote of 62 to 36, but with a majority of Senate Republicans opposing the bill. The Senate effort was lauded by both Majority Leader Bill Frist (R-Tenn.) and Minority Leader Harry Reid (D-Nev.). Frist said that the Senate had demonstrated "what is the very best" about it; that is, a bipartisan effort working through the legislative process, and Reid declared, "This is the way that we should legislate; on a bipartisan basis."

It remains to be seen whether the spirit of bipartisan compromise which is credited with passage of the Senate bill will carry through to the conference with the House.

Senate backers of the bill expressed optimism that a compromise bill will result that everyone can support. Senate Judiciary Committee chairman Arlen Specter (R-Pa.) noted that there was a history of tough conferences with the House, but agreement on bills such as the Patriot Act reauthorization and the Real ID Act resulted in agreements. House Majority Leader John Boehner (R-Ohio) was

less sanguine, however. "I don't underestimate the difficulty in the House and Senate trying to come together in an agreement," he told reporters before the Senate's final vote.

The House bill, passed last November, focusses on border enforcement (including authorizing 700 miles of new fencing on the U.S.-Mexico border) and employer sanctions. The House bill also makes undocumented presence in the United States a felony, a provision strongly opposed by Senate Democrats, in particular. In contrast, the Senate bill would allow most undocumented immigrants, estimated to number about 12 million, to stay in the United States and eventually earn U.S. citizenship, a provision denounced as amnesty by most conservatives.

Haditha Massacre Draws Attention of Congress

Members of Congress who have been briefed by military investigators on the alleged massacre of civilians in Haditha, Iraq, by U.S. Marines have come out agreeing that it is a very serious matter. Rep. John Murtha (D-Pa.) made headlines on May 17, after making the Haditha massacre central to his call to withdraw from Iraq. "There was no firefight," he said. "Our troops overreacted because of the pressure on them, and they killed innocent civilians in cold blood."

Murtha said that this incident "shows the tremendous pressure that these guys are under every day when they're out in combat," part of which comes from there not being enough troops on the ground in the first place.

Murtha was even more forceful during an appearance on ABC's "This Week" on May 28, arguing that there

was a coverup that emanated from somewhere up the chain of command. Murtha pointed out that there was an initial investigation, but no one heard anything about the incident until *Time* magazine broke the story in March. "It goes right up the chain of command," he said, "right up to [Chairman of the Joint Chiefs of Staff] General Pace. When did he know about it? Did he order the coverup? Who ordered the coverup? I'm sure he didn't, but . . . who said, we're not going to publicize this thing?"

Although Murtha did not name Secretary of Defense Rumsfeld, the fact that he said he is sure that Pace did not order the coverup points to Rumsfeld as the person most likely responsible. "This investigation should have been over two or three weeks afterwards, and it should have been made public, and people should have been held responsible for it," Murtha said.

Senate Armed Services Committee chairman John Warner (R-Va.), appearing on the same program, was not as forceful as Murtha, averring that the military justice system had to be allowed to work. He agreed, however, that "This is very serious," and promised to hold hearings, as he did after the Abu Ghraib scandal broke in May of 2004. House Armed Services Committee chairman Duncan Hunter (R-Calif.) has also agreed to hold hearings on the Haditha incident.

War Supplemental Misses Memorial Day Deadline

House and Senate negotiators failed to come to an agreement on the fiscal 2006 supplemental appropriations bill covering the Iraq and Afghanistan wars, as well as additional hurricane relief for the Gulf Coast before Con-

gress adjourned for its Memorial Day recess. The House bill hews very closely to the \$92.5 billion requested by the Bush Administration, but the Senate added a number of unrelated provisions, including \$700 million to relocate a railway line in Mississippi away from the Gulf Coast, bringing the bill to more than \$108 billion. Conservatives in the House are balking at the extra Senate funding, which also goes for agriculture disaster relief, fisheries, the Federal Emergency Management Agency disaster relief fund, and other earmarks. President Bush has also threatened to veto the bill if it exceeds \$94.5 billion.

House and Senate negotiators downplayed the significance of the delay, even though on May 18, the Office of Management and Budget had sent a letter to both Houses warning that the money had to be available by May 31. "We are going to take the necessary time to develop the right product that is narrowly focussed on the war on terrorism and hurricane recovery," said House Appropriations Committee chairman Jerry Lewis (R-Calif.). He added that the military services had indicated that they could make it through June by reprogramming funds.

President Bush contributed to the complexity of the negotiations by asking that the \$1.9 billion he had requested on May 18 for border security be taken from the Pentagon funds in the bill.

House Majority Leader John Boehner (R-Ohio), speaking to reporters on May 25, said he thought that negotiations were very close, but even if they had succeeded in reaching agreement, he would not have necessarily brought the bill to the floor right away. "I feel pretty strongly," he said, "that members ought to have a chance to comb through these bills to make sure they know what's there" before voting on them.

THE EMPIRE VERSUS THE NATIONS

Synarchism, Sport, and Iran

by Lyndon H. LaRouche, Jr.

May 25, 2006

Foreword

As I and others have warned, in recent reports, the extensive preparations on behalf of the security of the events of the World Cup Soccer matches do not provide adequately for the possibility of the most serious of the security threats. I refer to a global strategic threat which must be actively considered as more than merely speculative for that period of time. This concern is not mine alone, nor only that among some of my associates. I am “blowing the whistle,” in the hope that this exposure of the matter might prompt the quality of additional measures which were more likely to prevent that event’s occurrence.

Behind this threat is the frequent inclination, in modern history, of certain types of political coups in which the plotters exploit the wide popular sentiment attached to certain types of highly competitive, popular sports events, placing such events among the category of choice targets for destabilizing large sections of national and international populations. The tendency for panic from among masses of victims of strong, childish qualities of irrational passions, as among massed adolescent and adult populations, make mass sports events, or the like, opportunities for inducing sudden and rapid changes in popular opinion and institutions. Sports events are used as targets for kindred mass-effects such as Hermann Göring’s orchestration of the February 1933 burning of the Reichstag and the September 11, 2001 strike against New York City’s World Trade Center.

It is of special note today, that no government not already a virtual accomplice of the George P. Shultz-crafted regime of President George W. Bush, Jr., has an interest in promoting, or permitting the kind of terrorist incident which could be used as a pretext for launching what U.S. Vice-President Cheney has fostered as a threatened, early, combined aerial bombardment on Iran during or following the general time-frame of the World Cup events.



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Mass sporting events, such as this Summer's World Cup Soccer matches, have historically provided an opportunity for political coups, taking advantage of the tendency for panic among such massed spectators to induce rapid changes in popular opinion and institutions. The threat of terrorism at the World Cup derives from high-level Synarchist orchestration of such scenarios—and has nothing to do with either "soccer hooligans" as such, or with the government of Iran.

If we can assume that the relevant national security institutions could control the threats from relevant domestic forces of their respective nations, only some international interest which desired the global effect of a terrorist attack on the World Cup events, would be a likely source of the quality of threat to be the most feared in that quarter at this present time. Unless relevant, supranational kinds of improved precautions are taken, the kind of source only typified by Vice-President Cheney, represents the quality of threat of strategic importance which is to be feared at the present time, from early through mid-June, on.

There are obvious, anarcho-fascist elements of hooligans throughout western and central Europe whose already conditioned temperament for violence could be coopted into playing a diversionary or other supporting actor's role in a terrorist operation staged by relevant international interests. Such collateral forms of assets include obvious sorts from the British Isles, or, elements which, still today, continue the legacy of the quasi-military, anti-nuclear-power riots in 1970s France and 1980s Germany. The risk is, that higher-level agencies utilized by supranational circles, would insert special effects into a climate of uncertainty represented by indigenous sorts of organized groups of brutish anarcho-syndicalist rabble, especially the climate of mass rallies, using those groups as a stage-setting upon which to deploy something uglier which would have strategic shock effects.

The present threat does not lie on what might be treated as a flat historical plane of space-time. It is a threat which is inherent in the specific situation of an acute, accelerating global monetary-financial crisis more serious than that of the 1928-1933 interval in Europe and the Americas. In times of

crisis like these, desperation itself determines that certain otherwise improbable developments could happen soon, or not at all. We are presently at a breaking-point in the geometry of world history, the quality of moment in history when entire political and social systems might be seized by fatal convulsions. In the meantime, when power is slipping rapidly from Vice-President Cheney's circles, when the current British, French, and other governments, are already wobbling, governments may act with a sense of desperation to do what would otherwise seem forbidden.

As I have emphasized this point in earlier reports, now, as in the case of Hermann Göring's arranging of the February 1933 incident of the Reichstag burning, and the Hitler regime's staging of the crafted 1939 incident at the Polish border, or the lurking and lurching threat of U.S. Vice-President Cheney's declared intent of launching of an airborne attack on Iran with U.S. and other nations' combined naval and other relevant resources, the situation has reached the stage of ripeness that only the lack of something which a credulous public might regard as a *casus belli*, now stands as a likely obstacle to the launching of war, probably against Iran, by what is presently the most discredited U.S. Presidency in that nation's history.

This represents precisely the type of strategically motivated impulse for action to be feared. *A terrorist attack of that type which has such strategic implications as a potential detonator of large-scale events, is what is to be considered the most important type of plausible current threat of a triggering development.*

Hopefully, our calling attention to the actual nature of the strategic threat of terrorist-style actions used as pretext for a

heavy aerial bombardment of Iran, will help to induce relevant institutions to move to prevent such a war, and its obvious sequelae, from virtually destroying European civilization. *In any case, whether or not such an incident occurs in the context of the World Cup, what remains inevitable, is the implications of the fact that such a quality of current potential threat inheres in the present world situation.* It is the implications of that quality of potential threat, which I address, in its historical perspective, in this report.

Consider the following, pre-1941 precedents for the quality of the world's overripe strategic situation today,

The Notable Precedent

I have proposed that experts and other relevant parties compare this threat to the circumstances which promoted the rapid victory of the 1940 Blitzkrieg against the allied, quickly demoralized British and French forces. I have warned against the silly, but popularized myth, the myth that it was France's preoccupation with the development of the Maginot Line which facilitated the German victory on that occasion. The rout of the greater part of France's military forces then, was chiefly the contribution of a pro-Synarchist "Fifth Column" inside the leading French military and other institutions, in the sense of the role of the "Fifth Column" which had just previously produced the victory of the fascist dictator Franco in 1930s Spain. The Synarchist influences from inside France's institutions left the gate wide open for what should have been considered the probable German course of action.

The security measures in which relevant governments are participating, on behalf of the security of the World Cup events, is a kind of "Maginot Line." That is a necessary, but not an adequate quality of deployment against an assault from a global, strategic flank. It is the probable threat from known sources which must be defined, and neutralized.

That "Fifth Column" inside 1940 France was what is known as the same Synarchist International later represented by the regimes of Nazi-occupied France, as represented by the offshoot of Lazard Frères-related banking groups known as Banque Worms. This circle within France, had been the pivotal element of the post-Versailles Treaty drive toward the use of fascism as a tool for creating a globalized system, echoing the *ultramontane* imperial system of the Venetian financier-oligarchy and Norman chivalry, and also the Napoleonic model. The same post-Napoleonic agency, the Synarchist financier circles, which threatened Europe and the world during the 1920s and 1930s, the Synarchist tradition as expressed today, is the foe to be foreseen and defeated now.

Inside the U.S.A. today, the tradition of the Synarchist-directed "Fifth Columns" of the 1930s and 1940, is typified by the circles associated with the military and globalization policies of George P. Shultz, Vice-President Dick Cheney, and that Lazard Frères offshoot, Felix Rohatyn, who is associated with relevant French financial circles today. The same policy then represented by those international financier circles behind the fascist regimes of 1922-1945 Europe, is now

expressed typically by the globalization policies of Shultz and Rohatyn, and by the aggressively pushed policy of "privatization of the military" by Shultz, Rohatyn, and Shultz's protégé Cheney, a contemporary echo of the Hitler regime's intention to replace the Wehrmacht with an international SS force, the intention, today, to bring on what Licio Gelli-linked fascist Michael Ledeen has described as "international fascism."

These influential persons, and their accomplices throughout Europe and elsewhere, share a common zeal for a form of "international fascism" which is now called "globalization." What they intend, is a modern replica of the medieval, *ultramontane* partnership of the Venetian financier-oligarchy and the Norman chivalry. The presently onrushing general collapse of the world's monetary-financial system, defines a crossroads in present world history, a turning-point like that which the choice between U.S. President Franklin Roosevelt and world-rule by Nazi Adolf Hitler represented, already, in February-March 1933.

The strategic imperative of the contemporary form of that Synarchist interest typified by the roles of Shultz, Cheney, and Rohatyn, is to move to strike quickly, before popular recognition of the failure of the world's presently reigning financier-oligarchical powers might cause action to prevent the Synarchist financier cabal from realizing the goals of full-scale globalization. Time has now nearly run out for postponing some drastic change in the world's economic system; the danger is therefore extreme, and the unthinkable highly probable.

It is urgent that both leading political circles and the general population, rethink recently prevailing, misguided assumptions respecting the way contemporary history works. Whether the launching of general warfare through a reaction to a programmed, strategic quality of terrorist incident erupting during the coming month, occurs, or not, the situation which breeds the probability of that or comparable developments, is itself now inevitable. Read the following pages of this report with that advice in view.

The essential precondition for defeating such an enemy, is to know his identity, his adopted notions of self-interest, and the current relevance of the historical roots of his present existence.

1. The Modern Fifth Column

As I have noted again, above: On a recent earlier occasion, I had already spoken of the present level of security operations against a terrorist incident in the World Cup setting, as a "Maginot Line" defense.

The Maginot Line did, indeed, contain an element of folly. That folly was the avoidable error of France's role at those Versailles Treaty proceedings, which concluded World War I and launched the French occupation of Germany's Rhineland. The revanchist Versailles Treaty did, in fact, create a great potential for a German resumption of what had become



U.S. soldiers inspect France's Maginot Line in 1944. It was not the Maginot Line, as an element of strategic defense, which doomed France to Nazi takeover; rather, it was what was otherwise lacking in French policymaking which was crucial to the nation's humiliating defeat. In the same way, the current security operations against a terrorist incident in the World Cup setting, represent, at best, a "Maginot Line" defense.

known as "World War I." However, those considerations taken into account, the Maginot Line was not a relevant mistake; it was what was otherwise lacking which was crucial to France's humiliating defeat at that time.

Otherwise, whatever the motivating circumstance, the deeper, scientific fact was, that the Maginot Line was, in its memorably positive respects, an echo of the famous pioneering in modern military engineering to be seen in the early Eighteenth-Century fortifications at, most notably, Neuf Breisach and the site at Belfort. The latter fort had been virtually demolished during a hard-fought battle there during the Franco-Prussian War; but, I was able to inspect the still impressive, remarkable, virtually intact, similar example of the modern military engineering tradition, at Neuf Breisach less than a decade ago. In the Eighteenth Century, the relevant enemy forces of the time, the Habsburgs, had never dared to attack France in that quarter; von Moltke's command was to understand why Austria had been deterred by that pair of forts during an earlier century. *An effective strategic defense is always the best solution, and develops the best option for counterattack if deterrence had failed its immediate purpose. It must be said of the events of 1940, as now: The preparation*

of the appropriate counter-attack is an integral, essential part of the credibility of strategic defense.

Today's immediate threat should remind us, that it was not the lack of physical means of defense which defeated 1940 France. It was France's defeat of itself, largely through the complicity of those forces within both the United Kingdom and France who had originally backed the launching of the Mussolini, Hitler, and Franco regimes. The latter included the forces in France and in Britain, at the very time the BEF was trapped on the beaches at Dunkirk, who were still waiting to join with Adolf Hitler in a war against the Soviet Union. Hitler, for his part, had held back the Wehrmacht tanks at Dunkirk, hoping for the intended negotiations of agreement between the Hitler regime and the governments of the United Kingdom and France.

Remember, that, but for President Franklin Roosevelt, the relevant British and French circles would have cut their deal with Hitler, and the world as a whole would probably be under a Nazi world-empire, or its after-effects, today. Today, a similar logic underlies the potential for a serious terrorist action in the setting of the World Cup. Hitler is long gone; but the international social set, typified by the Synarchists, then and now, persists, and is reflected in the policies of a President George W. Bush, Jr. regime which is controlled by the policies of such as George P. Shultz, Felix Rohatyn, and Vice-President Dick Cheney.

Thus, the primary issue of World Wars I and II, erupts again in modern European history, today.

No intelligent and patriotic leadership of any nation-state government in the world today, still desires a war against, or the provocation of a war-like attack on, the nation of Iran. It is a corollary of that fact, that no sane government of today's world desires either a preventive or preemptive form of warfare, such as that which my wife Helga recently described as that Peloponnesian War which the evil sophists of Pericles' Sophist-polluted Athens launched with their unprovoked, genocidal attack against the people of the island of Melos. In face of war crimes such as that which the George W. Bush, Jr. Administration launched, in imitation of Athens' crimes against the people of Melos, as a "regime change" war against the nation and people of Iraq, we must cast aside the popularized, naïve form of discussions of issues of peace and war. We must ask ourselves, as in the case of the plausible threat to the 2006 World Cup proceedings, what kind of supranational, social-political institution is it, which would use its control over the Bush government to launch a pretext for general "preventive" warfare like that presently threatened?

The Case of Felix Rohatyn

The relevant evidence against the virtually Gothic, Lazare-Frères-linked Felix Rohatyn, who is fairly seen as the "Middlebury Monster," has two most prominent, relevant aspects.

First, not many months ago, in the course of an unprovoked, rage-driven outburst against me personally, Rohatyn

identified me as a leading, Franklin Roosevelt-like threat to the grandiose imperial schemes of his circle of financial plotters. On that occasion, he stated, that the time had come when sovereign nation-states should no longer exist, a time when gigantic financial consortia, more powerful than any government, should rule the world.

On the crucial second point, Rohatyn is also a notable, leading confederate of the architect of the Bush II regime, George P. Shultz, in their shared scheme for replacing regular military forces of nations, by private armies in the footsteps of a privately financed international Waffen-SS-like scheme, a force deployed by leading financier institutions, such as the multi-billions funding by the U.S. Treasury, of Cheney's Halliburton gang.

This pair of policies is a hallmark of the same Synarchist International which launched the fascist dictatorships of Europe during the 1922-1945 interval. These are the hallmarks of Synarchism (and its errand-boy, anarcho-syndicalism) everywhere, over nearly a century and a half to date. These are the policies modeled upon the medieval *ultramontane* partnership of the Venetian financier-oligarchy with the crusading Norman chivalry. These are the policies of those who, from the moment of the death of President Franklin Roosevelt, have had the long-ranging, continuing intention of destroying both the Franklin Roosevelt legacy, and also the constitutional form of the U.S.A. itself. Roosevelt-haters Shultz, Rohatyn, and Cheney thus typify an evil which is worse than treason.

Shultz and Rohatyn, or certain London connections of Mrs. Lynne Cheney and her snarling pet husband, merely typify the enemies of civilization—and, therefore, enemies of all humanity, today. Until the time their masters come to view them as expendable, they typify the modern echoes of the medieval *ultramontane* interest. It is that financier interest, not some nation-state, or some hoodlum rag-tag from some nation, which is the principal enemy which threatens civilization, and also the World Cup. The lack of a defense against a terrorist incident which had been deployed in the interest of that *ultramontanist* enemy, is the strategic error against which I am warning in such instances as the threat to the World Cup events.

As important as the security of the World Cup process is, the deeper threat is the existence of the kind of supranational power which stands behind an execution of the estimated threat to that sports festivity.

Take the case of Rohatyn to illustrate a crucial point of illustration of the identity of the more general threat which will continue, whether or not the terrorist attack on the World Cup occurs.

Rohatyn, as I have sampled his state of mind, is not a notably intelligent person, as much as he is a predatory creature with impulses which normal, civilized persons might usually consider unthinkable. He is like a representative of organized crime, whose behavior, as part of that system, de-

parts from the pathways which normal human beings would consider “thinkable.” His rants in praise of overreaching financier power, and on behalf of replacement of regular military forces of governments by private armies, are typical of the likeness of his temperament to that of the outlaws of organized crime.

Therefore, as with the case of a thug deployed by organized crime, his power does not lie in his intellect, but in his role as a conditioned member of a system. Reading Rohatyn's recorded argument in defense of privatized warfare at Middlebury, Rohatyn is as clever as the Artful Dodger, and as deadly as a poisonous snake, but not a brilliant, or even consistently rational intellect. He acts, and reacts according to the patterns of behavior to which he has become habituated by his recruitment, training, and experience in his career as a financial predator.

The tradition of which he is a product is known as a legacy of Babylon. It is what is known as the oligarchical model, also known as the system of an ancient Rome which, in fact, made no original contribution to human culture, except what it had stolen from the Etruscans and Greeks. Its power lay in the acquired cultural habits in which it had been conditioned, the habits through which it reigned, by which it was self-destroyed. He and his sources of influence within modern society are a reflection of a system, known as that same oligarchical system described in essentials by Aeschylus' *Prometheus Bound*.

If one can, as the Olympian Zeus of *Prometheus Bound* prescribes, ban the discovery and use of knowledge of scientific principles from the behavior of mortal man, men and women can be degraded to a likeness of captive human cattle. Stupefy humanity, by destroying access to the knowledge and practice of Classical art and science, and inducing some Dionysiac bestiality of the type promoted by the Congress for Cultural Freedom, instead, and, then, men and women become as either tamed animals, or predatory beasts.

So, the slaveholders of the relevant pre-1865 U.S. states ruled that teaching a slave to read and write were a mortal offense. So, the post-World War II Congress for Cultural Freedom and its auxiliaries promoted a destruction of Classical art and education throughout the regions of globally extended European civilization within the reach of its polluting effects. It is the habits of Sophistry induced by the methods and precepts associated with the Congress for Cultural Freedom, the Sophistry which exploded in the events of 1968, through which what had been the greatest nation the world had known is now almost self-destroyed, as our U.S. teeters at the fork in the road where we must choose a Franklin Roosevelt-style recovery or self-destruction, now.

The point to be emphasized here, is that the principled characteristics of the kind of problems expressed by the threat under consideration here, are not within the range of comprehension by most among even putatively educated people today. The causal features of much of which shapes current



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Felix “the Coyote” Rohatyn. “Rohatyn,” writes LaRouche, “as I have sampled his state of mind, is not a notably intelligent person, as much as he is a predatory creature with impulses which normal, civilized persons might usually consider unthinkable. He is like a representative of organized crime, whose behavior, as part of that system, departs from the pathways which normal human beings would consider ‘thinkable.’ ”

history, are embedded as habituated reflexes of whose origin and nature the usual citizen, even a putatively very well-educated citizen, is rarely conscious.

So, turn attention, for the moment, from the threat to the World Cup events, to the deeper roots from which this threat has sprung.

2. Why They Hate Our U.S.A.

In these times, the world’s present, post-1972 monetary system, the so-called International Monetary Fund, is usually treated, as if instinctively, as virtually an act of nature. So, the existence of the arrangement under which nominally sovereign nation-states are under the government of the private financial interests expressed by so-called “independent central banking systems,” is treated, with an idiot-like credulity, as an acceptable feature of a sovereign nation.

To understand the motives which actually drive a poor wretch like Felix Rohatyn or his kind into his current pattern of behavior, we must not make the mistake of asking a virtual circus animal how he independently discovered the tricks to which he has been habituated by training. Rohatyn did not design the defective specimen he was conditioned to become. He is only another “economic hit-man” out running on his latest assignment. To discover “who trained him, sent him, and why?” we must inquire of the higher authorities who own his unhappy soul.

The reason most people are fooled about economy, in that way, so readily, and often so passionately, still today, is located in their superstitious notions of the role of money.

What is generally accepted as “economics,” even among many of those trained in the former Soviet Union, assumes that economics is confined to the fictitious domain defined by the British East India Company’s Haileybury School. The idea of the existence of a *physical economy*, outside and superior to any mere monetary system, is regarded by the credulous as an insult to the Olympian honor of Anglo-Dutch imperial philosophical Liberalism.

The Classical European example of this general type of widespread folly, is the acceptance of the implications of a Euclidean geometry, the acceptance of systems of argument modeled upon the bowdlerized version of ancient Greek Classical geometry which was crafted by the Sophist Euclid. The crux of Euclid’s purely superstitious premises, is the presumption that “self-evident” definitions, axioms, and postulates, are the premises of a systemic body of scientific, or “logical” thought. So, even today, despite the work of Kepler, Leibniz, Gauss, Riemann, and others, many, even most of the popularized, academic and related, reductionist assumptions, are assumptions treated as actually or virtually self-evident. This delusion creates an effect on masses of human minds, an effect akin, systemically, to the assumption that the Earth is flat. That is typical of most forms of what is often represented as “generally accepted belief.” That is typical of the Sophistry through whose influence Pericles’ Athens destroyed itself.

For example:

In that same Sophist tradition typified by Euclid’s notion of definitions, phrases such as “our tradition,” betray the tendency for virtual religious worship of what is presented as “generally accepted belief.” That is typical of Sophistry, then

and now. Contemporary populism is typical of that form of mental disease. Ex-Senator Phil Gramm's kitchen-table-top dogma of economics, typifies the populist lunacy which corralled the victims (who all should have known better, from the start) into the lure of the "Pyramid Club" scheme known as Mrs. Wendy Gramm's Enron.

The actual origin of these popular European misconceptions of the meaning of "economy," is the system of usury which is traced in European civilization from the Delphic cult of the Pythian Apollo, and traced through Delphi's ancient Rome, Byzantium, and the medieval system of Venetian finance and Norman chivalry, through to the usurious system of Anglo-Dutch Liberalism which has dominated European civilization since the 1763 Treaty of Paris.

That 1763 Treaty, which became the *casus belli* for the American War of Independence, is the key for understanding the continuing sweep of a process of modern history, which extends from the close of the so-called "Seven Years' War," to the present verge of Vice-President Cheney's threatened aerial assault on Iran, an assault whose chain-reaction effects would probably mean the extinction of civilization for some time to come.

The Economic Root of the Crisis

With singular exceptions, the U.S. Federal Constitution most notably, the ancient, medieval, and modern world at large has been dominated by a virtually global financier oligarchy, which dominated the world's principal trade from 1763 through to the collapse of British sterling in 1931. With the 1971-1972 wrecking of the fixed-exchange-rate Bretton Woods system, the Anglo-Dutch Liberal monetary system has functioned as a concert of private financier interests operating in the form of an imperial financier-oligarchical system, a system which holds even the U.S.A. as prey.

An improved insight into those just-cited facts, can be secured through a study of *The Decline and Fall of the Roman Empire*, which was crafted by a lackey of Britain's Lord Shelburne, Gibbon. Since that time, especially since the victory of President Abraham Lincoln's United States over Britain's puppet, known as the Confederacy, the principal conflict of powers on this planet has orbited around the conflict between the American System of political-economy and the imperial Anglo-Dutch Liberal system. Gibbon's Christ-hating conclusion, presented to Shelburne, et al., was that Julian the Apostate was right: The British Empire might reign forever, if it did not make the mistake of legalizing Christianity. In its practice, at least, Anglo-Dutch Liberalism's performance has followed Gibbon's counsel on this point, the matter of *agapē* most notably.

Although the British monarchy of the post-1712 time has sometimes acted as an empire matching the image of the Rome of the Legions, the Anglo-Dutch liberal system of empire follows more consistently the model of the medieval Venetian financier oligarchy. It is not the United Kingdom

as such which is the interest represented by the actual British Empire; it is a far-flung monetary-financial system which controls the world's present, post-1971 monetary system from a command post in the legendary City of London. It reigns through crushing the efforts of particular nations to defend themselves against the present world "free trade" system.

Historically, with the destruction of France by the events from July 14, 1789 through the 1815 Vienna affair, the nations of Europe have only rarely enjoyed an economic system of self-government which was not subject to the dictate of those higher, private financier powers embodied in a so-called "independent banking system" or the like. Those so-called "independent central banking systems," or their like, have been chiefly dominated by the Anglo-Dutch Liberal system which is itself a direct outgrowth, and de facto continuation of the *ultramontane* system of financier power represented by medieval Venice. The clearest evidence of that fact is shown by examining virtually any present program of education in the subject of economics, whether that program is labeled "Adam Smith," "Karl Marx," or modern lunatic degrees of linear systems analysis.

Not accidentally, the chief representative of the opposition to such financier imperialism has been the U.S.A. in those better times when its practiced economic policy was premised on the U.S. Federal Constitution. It was the victory of the United States over the London-directed Confederacy, which elevated the status of the U.S. as a threat to the Anglo-Dutch system from potential, to global. It was through the developments of the interval between President Lincoln's victory and the actions by which 1890s London moved to organize what became known as World War I, that the influence of *the American System of political-economy*, that of Franklin, Hamilton, the Careys, and List, was seen to represent a deadly threat to the perpetuation of the global financier tyranny of the Anglo-Dutch Liberal system of financier-oligarchical control of the planet.

In the main, the 1863 victory of the U.S. at the battle of Gettysburg warned the British Prince Consort and other sentient members of the circles of the British monarchy, that the United States could not be conquered as Lord Palmerston had hoped, by force applied from outside, but only through subversion. Nonetheless, the twofold impulse of Anglo-Dutch Liberal imperialists has been, on the one side, to attempt to take over the U.S. by corruption, as Pericles' Athens was self-destroyed through Sophistry, or to destroy it otherwise, as had been attempted through London's Confederacy tool.

The Road to Hitler

The determination to eradicate the influence of the U.S. constitutional system from the planet reached high points in the immediate aftermath of each so-called World War. Anglo-Dutch Liberal interests saw the sheer physical power of the

U.S. as a threat to the credibility of the Liberal economic system as such. Thus, the Britain and France of the Entente Cordiale had duped foolish Czar Nicholas II into a two-front war against a Germany which they regarded as the American System transplanted into Bismarck's Germany.

Thus, later, the Anglo-French Synarchist cabal planned for a World War II, against the Soviet Union, from which the European allies planned, originally, to exclude the hated and feared power of the U.S.A. Had President Roosevelt not yanked the British by the nape of the neck, the British oligarchy would have joined defeated France as Hitler's allies for a war to the East.

At the close of the World War II, the intent of the Anglo-Dutch Liberal financier interest, was to destroy everything which the U.S. of President Franklin Roosevelt had represented. The Truman Administration's adoption of Winston Churchill's and Bertrand Russell's plan for a preventive, "regime change" nuclear attack on the Soviet Union, resulted in the exemplary bombing of an already virtually defeated Japan's Hiroshima and Nagasaki. The Soviet Union's own successful development of nuclear weapons, as distinct from designs copied from Anglo-American sources, and the morass of the Korean War ended Truman's political career, but only led to the thermonuclear terror of Bertrand Russell's successor scheme, "Mutual and Assured Destruction."

However, destroying the economic machine which Franklin Roosevelt had built, was a different matter. Given the sad condition of the economies of the world, Roosevelt's Bretton Woods system could not be dumped so quickly. Therefore, the initial attack against Roosevelt's legacy was concentrated in the ideological domain. The same method, called Sophistry, which had been deployed by the Delphi cult to induce Athens to destroy itself, was launched under titles such as the Congress for Cultural Freedom. The main thrust of the attack was focussed on the stratum of post-war babies who would probably be entering Ivy League and kindred universities during the middle of the 1960s. The 68er explosion, with its hatred against "blue collar" images and science-driven technology, was the weapon which was used to induce the U.S. to proceed to destroy itself, the Americas generally, and also Europe.

There are two principal ways to destroy a nation, or an entire civilization. One, by conquest; the other, by corruption. The military force attacks the body, but may leave the mind of the next generation intact; corruption destroys the soul. Snuff the soul in the cradle, as, in a manner of speaking, the Congress for Cultural Freedom and its like have done.

Why Destroy Civilization?

As Bertrand Russell argued, repeatedly, and so clearly, in the proverbial "so many words," the failure of warfare as a method of social control, is that warfare itself fails to uproot that specific quality of the human individual which leads to-

ward modern sovereign commonwealths such as those of the Renaissance's Louis XI of France, Louis' follower Henry VII of England, and the founding of the U.S. Republic.

Since Europe's mid-Fifteenth-Century great ecumenical Council of Florence, globally extended European civilization has spread the greatest, cumulative development of the relative freedom and intellectual power of the average member of society to a degree beyond all known preceding existence of the human species. On this account, literate Europeans look back to the period of Classical Greece's development up through the fall of Greece in the course of the Peloponnesian War. The Fifteenth-Century Renaissance looked back to the Greece of Solon of Athens, Thales, the Pythagoreans, Socrates, and Plato, for the cultural and scientific foundations on which the singular historical accomplishments of modern Europe have depended so far.

Scientifically, Classical culture, as typified by the effects of those referenced examples, is the expression, and nourishment of a quality of the individual human mind which is lacking in all beasts. This quality is relatively most familiar to us as the Classical forms of scientific progress, as typified by the Pythagoreans, Plato, and their followers, and by what is known as strictly Classical artistic culture. The social impact of the expression of this uniquely human quality, is scientific and cultural progress in the condition of the human individual, and the power and longevity of our species.

The right, and the opportunity to acquire and express such personal development, such personal usefulness, is the true meaning of political freedom. It is what the individual is enabled, on this account, to preserve from the past, and add as a gift to the future, which is the meaning of that brief occasion of individual mortal life.

It is necessary, therefore, on this account, that social practices must be curtailed which deny, or even significantly suppress this uniquely human quality, which theology identifies as the image of the Creator in the human individual. Such a policy of true freedom is the natural enemy of systems of usury.

The progress, and the power expressed by the modern European development of the sovereign nation-state, as best typified by the U.S. case, has proven to be the greatest systemic threat to the continued reign of financier-oligarchical tyrannies of the sort to which Felix Rohatyn adheres.

Should the U.S. do as it should, return to the methods of economic recovery associated with the memory of President Franklin Roosevelt, a leap forward of global humanity would now follow. That development would virtually guarantee the permanent extinction of the evil of financier-oligarchical tyrannies from this planet. That would not bring paradise to mankind, but it would keep the gate of Hell away.

The question is: Do people and their nations now wish to survive? If they are seriously committed to survival, they must improve their governments' current performance in the relevant ways.

Is Cheney's War-Plan Stalled?

by Lyndon H. LaRouche, Jr.

June 3, 2006

Since my warning was published on May 24, and since Pierre Beaudry's valuable commentary on that piece was added, President George W. Bush, Jr. has taken apparently conciliatory steps of diplomacy toward Iran which might appear to have removed the launching of a massive air-borne attack on that nation.

Although I am aware of certain pressures from inside U.S. and other circles, to induce President Bush to agree to join in diplomatic negotiations with Iran, as long as Cheney is not removed from office, the danger of a June or July "regime change"-warfare attack on Iran, and of a related terrorist attack against the World Cup events remains an active threat.

Pierre Beaudry's heavily documented summary of the comparable situation in 1940s France dominated by the treasonous Synarchist International, points to the identity of a related danger inside the U.S.A. today. The Synarchist-Terrorist "Fifth Column" in 1940s France, is continued as the same circles, which have deployed Cheney from the same higher level of international financier power which their forebears represented in wartime France of 1939-1945.

Synarchist-Terrorist Fifth Column in France

by Pierre Beaudry

On May 25, Lyndon LaRouche issued a public warning about the imminent dangers of a terrorist attack against the World Cup soccer tournament which starts in Germany June 9, as a prelude to a military strike against Iran, any time during the May-June period. In his statement, LaRouche made a direct correlation between the current danger and the fifth-column apparatus of the Synarchist International within France that financed the Nazi invasion of France in 1940. LaRouche stated:

"One is drawn to the parallel with the Nazi invasion in 1940. Contrary to most historical accounts, the cause of the Nazi overrun of France was not the failure of the Maginot

Line, and similar defenses held against the Habsburg invaders during the 18th Century. The cause of the 1940 fall of France was the presence, within France, of a Synarchist fifth column, associated with the Lazard-sponsored Banque Worms circles.

"The security operations for the World Cup would be technically adequate and competent if the threats were coming exclusively from domestic sources, or even agencies like those behind the infamous 1972 Munich Olympics attacks. However, those capabilities are not geared for dealing with a fifth-column operation, of the sort being contemplated by Shultz, Rohatyn, Cheney, and their European Synarchist allies. No conventional defense is adequate to stopping that kind of assault."

LaRouche highlighted the insidious role that the Synarchist International banking cabal had played by opening the back door of France to the Nazi invasion. We report here on the strategic disaster that France faced then, because those very same banking Synarchist institutions in the United States, as well as in France, are posing the same threat to the world again today.

The Treasonous Synarchist Fifth Column And the Sedan Gap

Prior to the May-June 1940 period of the Nazi invasion of France, a Synarchist fifth column within the French government had prepared a plan to let Hitler enter the country, without opposition, through the Ardennes region, and flank the French defense forces with precisely the rapid tank deployments that the French government had rejected from the plan of Charles de Gaulle.¹

1. As early as 1932, when he was detailed to the Secretariat General de la Défense Nationale, Col. Charles de Gaulle was preparing a strategic defense doctrine which, if it had been adopted by the High Command of the French Army, would have stopped Hitler's invasion of Europe, and would have prevented the Synarchist International-led Second World War.

De Gaulle was given the task of establishing the plans for security and for limitation of armaments, supplying the French Doumergue Cabinet, as he said, "with the elements for its decision when it chose to adopt a different course of action after the arrival of the Führer." His strategy of national defense was based on a totally mechanized, mobile professional army, capable of launching an attack with 3,000 tanks disposed in several echelons on a front 50 kilometers wide, and moving at a pace of 50 kilometers during one day of fighting. De Gaulle was not merely expanding on the capabilities that the French Army had demonstrated at the end of the First World War; he was making a crucial breakthrough in mechanized warfare, and was strategically

Strategically speaking, the success of the Synarchist plan of a German invasion required that the best French troops be sent into Belgium, in order for them to be cut off from the rest of the French Army, and captured from the rear. This policy implied, therefore, that the Maginot Line should not be extended to the sea, but that a gap be left open in the northern corridor region of the Ardennes for the invaders to come through. French military leader Marshal Henri Pétain had vetoed an appropriation for the extension of the Maginot Line called for by the government of Edouard Daladier (1938-40)—an extension precisely aimed at closing that northern Belgian corridor. Daladier lost the vote.

Consequently, in April 1940, a tactical gap had been created between Charleville and Sedan, that is, between the Maginot Line and the Weygand Line of defense. The command center of the French Army made sure that the Sedan entry point would not be closed or defended. During a period of three days, the German command pushed through that gap no less than 70 divisions and 3,500 tank units. At the Riom Trials (abortive trials of French leaders by the Vichy government in 1942), Colonel Rivet confirmed that the French Headquarters was aware, on April 20, 1940, that the Sedan-Charleville gap was going to be the entry point of the German invasion, and that Commander Watteau's artillery group had been forbidden to establish anti-tank defense on the narrow corridor where the Germans invaded. According to a French investigative reporter, Robert Husson, the official court report stated:

"The road through the Ardennes which represents the only access to the gap of Charleville and Sedan, was kept open

warning Hitler that France was going to be ready to stop him, if ever he intended to invade. This was preemptive peace.

The High Command of the French Army, however, did not think in the same terms. The French generals intended to have "heavy tanks armed with light short pieces and intended for escorting infantry, not for rapid, independent action; interceptor aircraft designed for defending areas of [the] sky, beside which the Air Force could muster few bombers and no dive bombers; artillery designed to fire from fixed positions and with a narrow horizontal field of action, not [able] to push ahead through all sorts of country and fire at all angles." From: De Gaulle, *The Complete War Memoirs* (New York: Carroll and Graf Publishers, Inc., 1998), p. 7.

The Maginot Line had traced the fixed front in advance. De Gaulle understood that this defeatist strategy was pre-calculated to have precisely the effect that it was intended to have. It meant that France would hold behind the Line, waiting, as he said, "for the blockade to wear the enemy down, and the pressure of the free world to drive him [Hitler] to collapse."

"To my mind," wrote de Gaulle, "such an orientation was as dangerous as could be. I considered that, from the strategic point of view, it handed the initiative over to the enemy, lock, stock, and barrel. From the political point of view, I believe that by proclaiming our intention to keep our armies at the frontier, Germany was being egged on to act against the weak, who were from that moment, isolated: the Saar, the Rhineland, Austria, Czechoslovakia, the Baltic States, Poland, and so on; that Russia was being discouraged from forming any bond with us; and that Italy was being assured that, whatever she might do, we would not impose any limit to her malevolence. Lastly, from the moral point of view, it seemed to me deplorable to make the country believe that war, if it came, ought to consist, for it, in fighting as little as possible." De Gaulle, *op. cit.*, p. 8.



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Marshal Pétain, who voted against extending the Maginot Line so that it would close the gap in France's defenses, played one of the crucial "inside" roles in delivering France to the Hitler invasion.

deliberately for the invasion, and the fortifications were destroyed in May of 1940 by the orders of the G.Q.G. of the Second Army, General Huntziger" (The Watteau report at the Riom Trials).

General Huntziger was the Synarchist Vichy military commander who later signed the Armistice with Hitler. As a result of this deal made between the French Synarchist fifth column and Hitler, the Nazi invasion of France was so successful that after only two weeks of penetration, in May 1940, the British and French forces had been pushed all the way to the English Channel, and the German offensive was suddenly halted. Hitler and Churchill made a deal to save the British and French troops at Dunkirk because, had the British troops been taken prisoner, Hitler would have won World War II, right then and there. However, the Synarchy plan was not to win an early war, but to wage perpetual warfare. The British troops were spared to fight another day.

The point is that during the German invasion, and as early as May 1939, the Synarchy International had total control of the French government with six Ministers. The Synarchist fifth column was headed by: 1) Albert Pierre Sarraut, Interior Minister; 2) Raymond Patenotre, Minister of National Economy and Production; 3) Anatole de Monzie, Minister of Public Works; 4) Charles Pomaret, Minister of Labor; 5) Raoul Dautry, Minister of Armament; and 6) Camille Chautemps, Vice President of the Council. Five of them were from the original Comité Secret d'Action Revolutionnaire (CSAR) of the Synarchist Movement of Empire (SME). Moreover,

Chautemps, Monzie, Marchandeu, and Sarraut had been permanent Synarchist fixtures inside every French government, with the exception of those of Léon Blum, from as early as the Edouard Herriot government of June 1932.

Just prior to the invasion, the French Intelligence Service had reorganized the Cinquième Bureau, thereafter led by a selected group of about 60 members of the Synarchy. These Synarchists had been recruited into a very secretive function to compile and profile all information concerning approximately 600,000 people who were considered to be a “danger to national defense.” This enormous file contained all of the militants of all of the political parties of France, unions, Protestants, etc. It was this giant P.C. VICTOR file which served to purge the southern part of France from all undesirable officers and NCOs.

As a result of this political selection, the right-wing elements that were made prisoner by the Germans were not more than about 10% of the total; that is, about 190,000 of a total of 1,900,000 French prisoners taken at the beginning of the invasion. Before the end of 1941, most of the 190,000 right-wing prisoners were returned to France, thanks to a follow-up selection made by the Germans themselves. This was the most perfidious act of premeditated genocide that the French financial oligarchy had ever committed against its own people: the most devastating purge of republican forces ever ef-



Admiral François Darlan, who became Defense Minister of the Nazi-controlled Vichy government, was sponsored by the synarchist bankers of Banque Worms.

fected against any nation in European history, all of which was done under the pretext of avenging the bloodshed of 1789. Since the selection had been so effective, other lists were made up at the level of industries, trades, and among the

What Is Synarchism?

“Synarchism” is a name adopted during the Twentieth Century for an occult freemasonic sect, known as the Martinists, based on worship of the tradition of the Emperor Napoleon Bonaparte. During the interval from the early 1920s through 1945, it was officially classed by U.S.A. and other nations’ intelligence services under the file name of “Synarchism: Nazi/Communist,” so defined because of its deploying simultaneously both ostensibly opposing pro-communist and extreme right-wing forces for encirclement of a targetted government. Twentieth-Century and later fascist movements, like most terrorist movements, are all Synarchist creations.

Synarchism was the central feature of the organization of the fascist governments of Italy, Germany, Spain, and Vichy and Laval France, during that period, and was also spread as a Spanish channel of the Nazi Party, through Mexico, throughout Central and South America. The PAN party of Mexico was born as an outgrowth of this infiltration. It is typified by the followers of the late Leo Strauss and Alexandre Kojève today.

This occult freemasonic conspiracy, is found among

both nominally left-wing and also extreme right-wing factions such as the editorial board of the *Wall Street Journal*, the Mont Pelerin Society, and American Enterprise Institute and Hudson Institute, and the so-called integrist far right inside the Catholic clergy. The underlying authority behind these cults is a contemporary network of private banks of that medieval Venetian model known as *fondi*. The Synarchist Banque Worms conspiracy of the wartime 1940s, is merely typical of the role of such banking interests operating behind sundry fascist governments of that period.

The Synarchists originated in fact among the immediate circles of Napoleon Bonaparte; veteran officers of Napoleon’s campaigns spread the cult’s practice around the world. G.W.F. Hegel, a passionate admirer of Bonaparte’s image as Emperor, was the first to supply a fascist historical doctrine of the state. Nietzsche’s writings supplied Hegel’s theory the added doctrine of the beast-man-created Dionysiac terror of Twentieth-Century fascist movements and regimes. The most notable fascist ideologues of post-World War II academia are Chicago University’s Leo Strauss, who was the inspiration of today’s U.S. neo-conservative ideologues, and Strauss’s Paris co-thinker Alexandre Kojève.—*Lyndon H. LaRouche, Jr.*



Vichy Prime Minister Pierre Laval, shown here consorting with Hitler's trusted associate Hermann Göring, was another product of the synarchist banking network, specifically the brain trust that ran the Banque Nationale du Commerce et de l'Industrie.

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general population. These were used for triage of the labor force that would be chosen for forced labor in Germany for the entire duration of the war.

In the end, the quasi-totality of so-called left, that is, the republican militants and sympathizers, were either shot by the Germans (70,000), died in the Vichy concentration camps (40,000), or were imprisoned in Germany (420,000). The number of French people sent to forced labor in Germany remains unknown.

Intelligence on the Synarchist Banque Worms

French and American intelligence reports from that period have revealed that systematic sabotage of the French industrial sector and of the military had been undertaken by this fifth column, and that a behind-the-scenes French-German collaboration had been effective for several years, prior to the invasion. For example, in a dispatch dated Jan. 7, 1942, U.S. Ambassador Anthony J. Drexel Biddle revealed to President Roosevelt the magnitude of the Synarchist financial control of the Vichy government that had been working with Germany:

“This group,” wrote Biddle from London, “should be regarded not as Frenchmen, any more than their corresponding members in Germany should be regarded as Germans, for the interests of both groups are so intermingled as to be indistinguishable; their whole interest is focused upon furtherance of their industrial and financial stakes.”

The Biddle dispatches go into detailed descriptions of the

main Synarchist cabal of bankers and their connections to the Pierre Laval regime of Vichy. Some of those had been in the Daladier government before the war. Biddle's dispatches included the names of a very powerful group of commercial bankers who were servicing the blueblood oligarchy of Europe, and especially their Habsburg-Orleans-led Hitler dictatorship, above and beyond the political parties, that is, above Right and Left. First, there was **Banque Worms**, which was behind Admiral Darlan, Defense Minister of Vichy. The Synarchist control of the Vichy government was represented by Hippolyte Worms, Jacques Barnaud, and Gabriel Leroy-Ladurie, who were the top banking controllers of the entire Vichy government.

This banking-oligarchical brain-trust also oversaw the **Banque Nationale du Commerce et de l'Industrie**, which was the bank of Vichy Prime Minister Laval; the **Banque de l'Indochine**, which was controlled by Minister Paul Baudouin; the **Banque de Paris et des Pays Bas**, which was run by Frederic Bloch Laine, and linked to the J.P. Morgan interests in the United States. All of the above were tied to the **Lazard Frères** banking interests in Paris, London, and New York.

A quick survey of Biddle's dispatches shows the key ministries over which the Synarchist bankers had control: “On the one hand, Pierre Pucheu (Interior), and Yves Bouthillier (National Economy) were members of the Worms clique. Gerard Bergeret (Secretary of State for Aviation) was included by some among Pétain's personal following, by others



Charles De Gaulle, shown here addressing his countrymen by radio from Great Britain in 1943, had prepared a strategic defense doctrine as early as 1932, which would have stopped Hitler's invasion to the West, and prevented the Synarchist International-led World War.

among the Worms group. Excluding Bergeret, the Secretaries of State were, almost to a man, associates of the same clique. They were Jacques Barnaud (Delegate-General for Franco-German Economic Relations), Jerome Carpopino (Education), Serge Huard (Family and Health), Admiral Platon (Colonies), René Belin (Labor), François Lehideux (Industrial Production), Jean Berthelot (Communications), and Paul Charbin (Food Supply).²

The American Chief of the Research and Analysis branch of the Office of Strategic Services (1942-45), William L. Langer, reported also that "Jacques Benoit-Mechin (in charge of Franco-German relations) was a journalist long associated with [German Ambassador] Otto Abetz and, according to all reports, a mere stooge of the Germans. Among the Worms group should also be mentioned a large number of somewhat subordinate officials (chiefly secretaries-general) like Lamirand, Borotra, Ravalland, Bichelonne, Lafond, Million, Derooy, Filipi, Schwartz, and Billiet. From this list it appears at once that practically every ministry and secretaryship touching economic affairs was in the hands of one or another of the Worms clique."³

2. William L. Langer, *Our Vichy Gamble* (New York: The Norton Library, 1947), p. 169.

3. William L. Langer, *op. cit.*, p. 169. More detailed information on the Worms group may be found in *Worms et Cie* (Coordinator of Information, Research and Analysis Branch, Report, March 3, 1942), and *Activities of*

As Delegate-General, Jacques Barnaud was the top man to coordinate everything relating to financial or economic matters between France and Germany. It was Barnaud, the Felix Rohatyn of the Worms group, who had prepared the financial side of the Nazi invasion of France. Coincidentally, all of the key Lazard Frères and Banque Worms associates had already transferred large reserves of currency to the South of France just prior to the invasion.

Whatever Laval, Darlan, or Pétain decided to do with respect to Germany, had ultimately to be approved by Barnaud. The fact that this banking group was operating above and beyond French and German interests was further confirmed by other intelligence sources on the Synarchy, which had established that the conspiracy, which brought down the Third Republic of France in 1939-40, was actually based in London. A French Intelligence report signed by M.R. Degand had established on Oct. 6, 1944:

"The business of *Banque Worms* always follows the intimate Anglo-French entente, and operates from directives which are always given by London and agreed to by Paris. In fact, the *Banque Worms* is the bank whose policy had brought about the situation of August 1939, and that is where its unprecedented success finds its true explanation. This statement is valid for the period, which ends on September 2, 1939, but it appears to be even more surprising to find that the *Banque Worms* withstood the shock and was consolidated the day after the armistice. Growing under the Ministries of Léon Blum, Daladier, and Paul Reynaud, it is first of all very hard to explain how it was able to come out of the revolution, or out of the evolution that led to the collapse of the Third Republic, and triumph with the rise of the Pétain government. Logically, the bank should have collapsed with the government of Reynaud."⁴

This banking oversight is, however, not difficult to understand, once the distinction made by the founder of the Synarchy, Joseph-Alexandre Saint-Yves, called d'Alveydre, between *Authority* and *Power*, is established. The *Banque*

Banque Worms et Cie (Office of Strategic Services, Research and Analysis Branch, Report, Nov. 15, 1943). See also Louis R. Franck: "The Forces of Collaboration," *Foreign Affairs*, October 1942, and Raymond Brugere, *Veni, Vidi, Vichy* (Paris, 1944), pp. 133ff.

4. M.R. Degand, *Note sur le développement de la Banque Worms & Cie.*, French Intelligence report, Paris, Oct. 6, 1944, p. 15.



These French political prisoners were in the concentration camp in Barth. They were among the hundreds of thousands whom the French Nazi collaborators had effectively delivered to be sent into forced labor in Germany.

Worms was protected by a financial oligarchy, acting as a Privy Council that Alveydre had defined as a Synarchy, that is, “a form of government where men who dispose of Power are subordinated to those who control the Authority.” This is the key to the whole Synarchist business. Langer identified the crucial elements of interface between the Synarchist bankers and the Laval government, that is, *Authority* as distinct from *Power*:

“From this list it appears at once that practically every ministry or secretaryship touching economic affairs was in the hands of one or another of the Worms clique. Many of them, like Pucheu, Bouthillier, Barnaud, and Lehideux were able men—as able as they were self-interested and unscrupulous. Pucheu, of whom quite a bit became known through his trial for treason, was an excellent organizer and a man who, in point of ambition, was hardly second to Darlan himself. He had been closely associated with the Cagouard and other pre-war fascist movements. As an agent of the Cartel *siderurgique* (steel) he had sought to promote cooperation between French and German heavy industries. In other words, he, like several of the others, had a collaborationist past and was not only willing, but also eager to join up with the enemy. Darlan could count on these men, who not only arranged for the shipments

of goods and manufactured products to Germany, but also served as go-betweens in arranging the transfer of French manufacturing establishments to German ownership or control. Needless to say, they turned a pretty penny in the process and furthered their own affairs at the same time. This economic collaboration [Authority], which was a very real thing from the outset, was not affected by the vicissitudes of political collaboration [Power]. It was well established before the war and served well the purposes of both German and French interests.

“All of the collaborationist banks had considerable interests in North Africa and the other French colonies, and maintained branches there. The Banque Worms, for example, owned extensive mines, shipping lines, and commercial companies in North Africa. It and others like it rapidly drained North Africa of such resources as could be made available to the Germans. It has been estimated that during 1941 alone, some 5 million tons of goods were landed at French Mediterranean ports, mostly from North Africa. Included were such strategic materials as cobalt, molybdenum, manganese, and high-grade iron ore, to say nothing of foodstuffs. Probably 60 to 80% of all these imports went to the Germans. Fortunately for them, the great banking and industrial interests, always intent on playing safe, were permitted by the Germans to transfer their huge profits to their North African branches. Calculations have shown that prior to the invasion of North Africa, the French banks taken together transferred no less than 25 billion francs in this way.”⁵

Today, the Banque Worms and Lazard Frères interests are essentially the same Nazi-international forces as those represented by Synarchist banker Felix Rohatyn. Also, the same Synarchist cabal is represented in France by the neo-con group of the Cercle Azincourt of former IMF director Michel Camdessus, Minister of the Interior Nicolas Sarkozy, and Edouard de Rothschild, as well as the Publicis Group, which includes as directors Gerard Worms of Rothschild, Michel David-Weill of Lazard Frères, and Felix Rohatyn, also of Rothschild and formerly Lazard Frères.

This whole Synarchy International crowd represents the same danger of launching preemptive wars and perpetual warfare around the world today, as did the Banque Worms with Hitler in the France of 1940. That is the reason why Lyndon LaRouche repeated his emphatic point by saying: “Again, speaking bluntly, the gravest danger to the world today comes from the Synarchist International—including Shultz, Cheney, and Rohatyn. They are seeking a Reichstag Fire, or 9/11-type incident to give them the psychological leverage to launch their pre-planned attack on Iran. That can only be prevented by placing a very powerful public spotlight on their schemes, in advance. That is why I am speaking out today.”

5. Langer, *op. cit.*, pp. 170-171. See also *The Economic Contribution of French North Africa to the Axis*, Board of Economic Warfare, Blockade and Supply Branch, Report, Sept. 12, 1942.

Israelis See Palestinian Letter As Opening for Peace

by Michele Steinberg and Dean Andromidas

Events since May 13 in the Palestinian National Authority and Israel have eclipsed the “unilateral” moves by Israeli Prime Minister Ehud Olmert to seize Palestinian territory with a permanent “Berlin wall,” which in fact is his desired “permanent border.”

The following report, of the initiative by imprisoned Palestinian political leaders, including Marwan Barghouti of Fatah (the main group in the Palestinian Liberation Organization) and Sheik Abdel Halek Natshe of Hamas, and the positive response by leading Israelis, including former chiefs of the intelligence services, Ephraim Halevy of the Mossad and Ami Ayalon of the Shin Beth, should be a wake-up call to the U.S. Congress.

Congress must recognize that now is the time to seize the opening for peace, instead of bowing down to the warmongering aims of Vice President Dick Cheney’s shrinking cabal, as it did on May 23, when the House of Representatives passed the so-called Palestinian Anti-Terrorism Act of 2006 (HR 4681). Bill 4681 is nothing but the codification of the anti-Palestinian provisions of the 1996 neo-conservative war plan, called “Clean Break, a New Strategy for the Realm,” which was the driver for the Iraq Liberation Act of 1998, which led to the Iraq War. Today, the co-author of Clean Break, David Wurmser, sits in Dick Cheney’s office as his chief Middle East advisor, while the other co-authors of the plan, former Defense Department officials Douglas Feith and Richard Perle, evade answering for the intelligence hoax they perpetrated on Congress and the American people to start the Iraq War.

Woe to the nation that cannot learn the lessons of its own follies.

An Opening for Peace

Although currently imprisoned in Israel, four key Palestinian leaders have set forth their vision for future Palestinian-Israeli relations, and guidelines for future political steps, in an 18-point initiative which includes calls for the integration of Hamas and Islamic Jihad into the PLO; the formation of a national coalition government between Fatah and Hamas; and structural reform and regulatory control in the security services. It was signed by Fatah Secretary General Marwan Barghouti; Sheik Abdel Halek Natshe, a member of Hamas’s senior leadership; Sheik Bassam al-Saadi of Islamic Jihad; and Popular Front for the Liberation of Palestine (PFLP) Deputy Secretary General Abdel Rahim Malouh.

Under way for some time, the initiative was only revealed on May 13, and it immediately changed the geometry of the deadlock that had been imposed by the Bush Administration’s boycott of the democratically elected Hamas government in the Palestinian National Authority. The initiative has begun a debate among both Palestinians and Israelis, for the reopening of serious negotiations.

That was not an accident. Well-placed intelligence sources, with decades of experience in the negotiations between Israelis and Palestinians, have pointed out to *EIR* that the discussions among these imprisoned high-level Palestinian leaders was something that needed approval by Israeli authorities. That small point is a further confirmation of reports to *EIR*, which indicate that top members of the Israeli institutions increasingly realize that there is *no alternative* to a negotiated two-state solution, and that the time to go forward with that perspective is now.

The document reads, in part: “The Palestinian people,



Fatah Secretary General Marwan Barghouti (left) is one of four imprisoned Palestinians who set forth their vision for future Palestinian-Israeli relations, which could reopen serious negotiations between the two sides. The letter has elicited some positive response from Israelis, including Knesset Member Ami Ayalon (above), of the Labor Party, who was once head of the Israeli domestic intelligence service, Shin Beth.

“All the Palestinians, from Hamas to the Communists, all of us agree we want a Palestinian state on the 1967 borders,” Abu Mazen said.

Abu Mazen challenged Hamas to approve the agreement signed by Barghouti and his Hamas counterpart, Sheik Abdel Halek Natshe or he would bring the document to a national referendum. On the same day, in an interview with the Italian daily *Corriere della Sera*, Barghouti called for Hamas and Islamic Jihad to join the PLO.

“We declared in the text that the PLO is the only body with the legitimacy to represent the Palestinian people in negotiations,” Barghouti said. “Hamas and Islamic Jihad must join the organization, which will lead negotiations along with Abbas (abu Mazen). A final agreement will be brought to the people to vote on in a referendum.”

Dramatic Israeli Response

The response of leading Israelis from the permanent institutions—intelligence services and the military, the Knesset, and the literary world—is dramatic.

On May 26, Knesset Member Ami Ayalon, of the Labor Party, former head of the Israeli domestic intelligence service, Shin Beth, travelled to Ramallah to meet with President Abu Mazen, and then told the Israeli press that within two months, a national referendum proposed by Abu Mazen, could mean that “this will be the end of unilateral policies.” Ayalon’s meeting with Abu Mazen was on the sidelines of the Palestinian national dialogue meeting.

On May 27, the former director of the Israeli Mossad, Ephraim Halevy, seconded Ayalon’s statement, in Israel’s second largest daily, *Ha’aretz*. Halevy told *Ha’aretz* that while Hamas must make a commitment not to carry out attacks, and must accept past Israeli-Palestinian agreements, “I think that now is not the right time for a permanent status agreement since it’s not possible because of the great hatred between the sides. *But if Hamas wants . . . a long-term armistice, there is a meeting between the desire of the two sides*” (emphasis added). Halevy added that such an understanding could be the basis for future negotiations on interim borders between the two entities.

In yet another statement on dealing with Hamas, Gen. Eival Giladi (ret.), who had coordinated last Summer’s Israeli evacuation of the Gaza Strip, said, “The Hamas will change its ideology quickly and easily. It’s not a Hamas ‘problem’

in the homeland and in the Diaspora, aspire to liberate their land and realize their right of freedom, return, and independence, and their right to self-determination, including their right to establish an independent state with Jerusalem as its capital on all the land occupied in 1967, guaranteeing the right of return for the refugees, liberating all the prisoners and detainees, drawing upon our people’s historic right in the land of our ancestors, the UN charter, international law, and what international legitimacy guarantees. . . . We call on everyone to accept the changes in the Palestinian arena and expand the legitimacy of the PLO as the sole legal representative of the Palestinians and the supreme legal political address.”

Since the imprisoned Palestinians are held in the highest of regard by all Palestinian factions, this has tremendous weight in the eyes of the Palestinian public. It has additional significance in two respects. One is that it is a joint agreement, and that it recognizes the 1967 borders, an implicit recognition of the right for Israel to exist, which indicates that key leaders in Hamas have now taken this position.

On May 26, the document was at the center of discussion at a dialogue conference of all the Palestinian factions, including Fatah and Hamas, chaired by Palestinian President Abu Mazen (Mahmoud Abbas) in Ramallah, and which included Prime Minister and Hamas leader Ismail Haniyeh, as well.

only; the Jewish people spent 2,000 years in the Diaspora without changing its beliefs. What is achievable is a thorough change in the means and patterns of conduct.” He predicted that the composition of the Hamas government will eventually change, with members of other factions joining.

On May 30, in its lead editorial, *Ha’aretz* called for opening up contacts with Hamas officials, pointing out that Hamas Prime Minister Haniyah had issued a directive that Palestinian officials should have contacts to work out practical problems. *Ha’aretz* warned that the boycott of Hamas is not only creating a humanitarian disaster, but is in fact failing politically to weaken Hamas:

“It is clear, however, that residents of the territories and Gaza are suffering the most from this. Moreover, it turns out that the siege on the Hamas Government is not weakening it. . . . On the contrary, it is boosting support for it. Despite severe suffering in Gaza, there have been no protest actions or demonstrations against the Hamas government.”

“Furthermore,” *Ha’aretz* continued, “cooperation on practical issues is no less important to Israel than it is to the Palestinian side, since it can be beneficial when it comes to matters like the bird flu, economic affairs, commerce, and services. Such cooperation could help gradually normalize Israel’s relations with the Palestinian public and leaders.”

On May 31, Israeli commentator Gideon Samet, also writing in *Ha’aretz*, said that not negotiating with Hamas hurts Israel. “Something worse comes up through the moralistic lecturing of Israeli and American leaders regarding Hamas,” wrote Samet. “The basic mistake, to the point of utter folly, is that the profound refusal to speak with the organization hurts Israeli interests.” He contrasted current policy to the bravery of Israeli peacemaker Prime Minister Yitzhak Rabin, who opened negotiations with the Palestinian Liberation Organization, despite claims of “Arafat’s Satanism.” Samet added that the prisoners’ document calling for a two-state solution is crucial, and that Israel must make a positive response.

‘Africanization’ Must Be Stopped

What is stopping the Israeli talks with Hamas is the Bush Administration, which has imposed collective punishment on the Palestinian people for exercising their democratic right to elect the Hamas party to lead their government. The suspension of funds to the Palestinian National Authority (PNA) by the United States and the European Union, has not weakened Hamas as an organization, but has deprived 152,000 PNA employees, including teachers, health and sanitation workers, police, and other public workers, of their salaries for the last two months. Thus, over 1 million Palestinians, directly or indirectly, have lost their only means of livelihood.

This has led to “Africanization” of the West Bank, and especially the Gaza Strip, according to Arnold Vercken, rep-

resentative of the UN World Food Program (WFP) in the West Bank and Gaza, whose previous posting was in Senegal, Africa. Vercken told Akiva Eldar of *Ha’aretz*, “Since the donations were frozen and the Karni crossing point closed, the Gaza Strip reminds me more and more of Dakar.” He said when he visits Gaza, he sees children digging in the garbage bins.

According to the latest data from the WFP, every second Palestinian—about 2 million people, of whom half are under 18—is suffering from a “lack of food security,” as opposed to 37% last Summer. Vercken warned that in the coming months there will be a further 25% increase in the number of mouths the WFP will have to feed—reaching a total of 600,000 non-refugees.

This is in addition to the hundreds of thousands of refugees who depend on food from United Nations Relief and Works Agency, which, on May 31, issued an alert that it is running out of resources. Since the cut-off of aid to the PNA, over 100,000 refugees have flocked to UNRWA offices, seeking short-term jobs, in Gaza alone, while in the West Bank there has been a 600% increase in applications compared to April last year. Furthermore, the culling of poultry due to the threat of the bird flu has destroyed the most important source of protein for the Palestinians.

Meanwhile, the United Nations released a report indicating that 40% of Palestinians live on less than \$2.10 a day. Those living in absolute impoverishment increased from 600,000 in 1999 to 1.6 million in 2005.

The criminality of the Bush Administration’s collective punishment is exposed by the fact that the World Bank announced that it already has a fund called the “Emergency Services Support Project,” which could be used to channel the funds in a way that would bypass Hamas authorities and be transferred directly to PNA employees. Not only has the Bush Administration ignored this, but it has also pressured Arab banks not to allow funds to be transferred to the PNA.

Now is the time for the United States to change its policy of unilaterally supporting Israeli unilateralism. In a panel discussion on May 30 at the Palestine Center in Washington, D.C., Maen Areikat, the Director General of the PLO Negotiations Affairs Department, confirmed to *EIR* that only the United States and Israel (limited in both cases to certain right-wing circles) take the position that there is “no partner for peace” for Israel.

Areikat stated that Israeli unilateralism “is not going to bring about peace or stability to either Palestinians or Israelis.” His PLO delegation was in Washington as part of an “outreach” effort by the PLO Negotiations Affairs Department, to meet with U.S. officials to convince them that the only way to peace is a negotiated settlement.

There is a “partner for peace” on both sides, and the United States must stop supporting fanatics.

Behind the U.S.-Iran 'Breakthrough'

by Muriel Mirak-Weissbach

Since the Islamic Revolution of 1979, the United States has had no relations with Iran, nor any direct talks, except within the context of the limited post-9/11 roundtable discussions in Europe, regarding Afghanistan. As the threat of a U.S. military attack on Iran loomed large on the horizon, forces in Europe, Russia, and China, raised their voices to reject this option, and to urge Washington to deal with its presumed adversary directly.

Calls for U.S. talks with Iran have mounted over the past four weeks, coming from the three European governments engaged in talks with Iran (Great Britain, France, and Germany); United Nations Security Council permanent members Russia and China; UN Secretary General Kofi Annan; International Atomic Energy Agency Director General Mohammad ElBaradei; a plethora of leading American foreign policy experts, including a score of former Clinton Administration officials (most vocally Madeleine Albright), Zbigniew Brzezinski, Henry Kissinger, Brent Scowcroft; and, last but not least, numerous Senators, including such leading Republican Senators as Chuck Hagel (Neb.) and Richard Lugar (Ind.).

Iranian President Mahmoud Ahmadinejad intersected this process, with an unprecedented letter addressed directly to his counterpart in the White House on May 9. Although he did not explicitly request talks, the letter was universally understood as a gesture to that effect. A letter sent shortly thereafter by former nuclear negotiator Hassan Rowhani, to *Time* magazine, outlined in eight points, how negotiations might proceed.

Iran's Overtures

These Iranian interventions made it clear to the "international community" that Tehran sought to prevent confrontation. Step by step, the Iranian leadership made known that it was willing to consider compromises. First, IAEA chief ElBaradei, after talks with U.S. Secretary of State Condoleezza Rice in Washington, told the press: "The Iranians, as far as I know, agreed in principle that for a number of years [uranium]

enrichment should be part of an international consortium outside of Iran." He said that once negotiations were restarted, Iran would also apply the Non-Proliferation Treaty additional protocol again, which specifies rigorous inspections.

Iran's readiness to do this was signalled to ElBaradei by Ali Larijani, head of Iran's National Security Council, and chief nuclear negotiator. The idea of temporarily halting enrichment for a number of years, is a point made in the International Crisis Group's proposal for overcoming the crisis, a proposal Iranian circles had indicated agreement with. Larijani also told ElBaradei that Iran would be willing to engage in talks with the United States, as long as no strings were attached.

ElBaradei also repeated his own call for direct talks, as well as security guarantees by the United States for Iran. "At a certain point, if the negotiations were to move in the right direction, particularly when the discussion of security issues were to start, I would hope," he said, "that the United States will be able to join that."

A day later, Iran's permanent representative to the United Nations in New York, Mohammad Javad Zarif, said that an "easily attainable" resolution could be reached, if the United States wanted it. "We are prepared to engage in serious discussion in order to resolve this issue, and we have not made any



UN Photo/Mark Garten

Iran's permanent representative to the United Nations, Mohammad Javad Zarif: "We are prepared to engage in serious discussion in order to resolve this issue. . . ." Here Zarif in a press conference at UN headquarters, March 29.

exception with regard to the United States,” Zarif said. The United States must acknowledge Iran’s right to nuclear technology under the Non-Proliferation Treaty, he said. For its part, Iran would have to renounce nuclear weapons. This is in Iran’s best interests, he said, because “from a sober, strategic analysis, Iran’s security will be decreased by possession or pursuit of nuclear weapons, rather than increased.”

Zarif said that the United States would make more progress, if it were to “ban the pressure tactics, the intimidation tactics” and talk with Iran directly, rather than through the European Union or United Nations. “If they’re looking for solutions, why are they not talking to one side of the problem?” Zarif asked. “There is a resolution to this situation, and the resolution is easily attainable, provided you look for it.”

Zarif then went a step further, by announcing, a day later, that Iran “is willing to accept a cap on the level of enrichment.” He said: “This cap I think should be below 10, meaning reactor grade. Iran is prepared to put in place other measures to ensure fuel produced is not re-enriched and used for nuclear [weapons] purposes.”

U.S. and Egyptian sources have also pointed to several private “back channels” that were opened, at the initiative of Iran, to signal its willingness to talk. Former Iranian President Ali Rafsanjani, still one of the most powerful clerics in Iran, made several trips to Kuwait, where he used channels through the Royal Family to communicate with some top officials in the U.S. oil industry, suggesting that Iran would be open to granting oil and gas concessions to U.S. firms as part of a universal agreement.

Will Iran Accept Rice’s Offer?

Will Iran accept Rice’s offer for U.S. participation in multilateral talks? Although no final word has been spoken, there are good reasons to believe that it will accept. Immediately after Rice’s statement, an Iranian official told *EIR* that it was “very positive and useful,” something which “the Iranian side has been waiting for.” He stressed that the United States was in no position to start a new war in the region, a war no one wants, and that talks would provide the opportunity for “both sides to understand each other.”

The crisis in the region, this official said, required U.S.-Iranian cooperation, especially regarding Iraq: “Iran and the United States have common problems and common interests in the region; therefore they must cooperate.” Iran, he added, sought foreign investments, economic cooperation, and therefore, open relations with others. “The United States is very important in this,” he said. “There is no other country



UN Photo/Paulo Filgueiras

Secretary of State Condoleezza Rice said May 31 that the United States is prepared to join the European Union and Russia in direct talks with Iran. Here, Rice at a UN Security Council meeting in 2005.

like Iran in the region,” he said, pointing to its role as a regional power, and its special relations with Iraq and Afghanistan.

The first official statement by Iranian Foreign Minister Manuchehr Mottaki on June 1 was positive, with reservations. “We support dialogue in a fair and unbiased atmosphere, but we will not talk about our undeniable and legitimate rights, because this is the right of our people according to international laws and treaties.” In other words: yes, but we will not suspend enrichment activities.

Mottaki went on to say, “We are ready to talk about common concerns and if the conditions are such in a way that we have outlined . . . we are ready to negotiate with all parties.”

The art of diplomacy will require that the stumbling block of enrichment—the glitch in Rice’s offer—be eliminated. A formula must be found whereby U.S. concerns about enrichment for military purposes are allayed, without violating Iran’s right, guaranteed by the Non-Proliferation Treaty and IAEA, to the technology. One possibility, hinted at by Larijani’s remarks to ElBaradei, might be a temporary suspension of enrichment, perhaps as means to get the talks moving. As Tim Guldemann, former Swiss Ambassador to Iran and a liaison for years between Iran and the United States, stressed in an interview with *EIR* (April 7, 2006), the Iranians are “bazaaris,” accustomed to a back-and-forth bargaining process. It will take time to reach a final breakthrough.

Certainly one convincing incentive for the Iranians, would be a strong signal that Cheney were on his way out. This is what LaRouche has committed his forces to achieving.

Russian Official: Our Future Belongs To Nuclear Energy

by Rachel Douglas

Sergei Kiriyyenko, head of the Russian Federal Atomic Agency (Rosatom), was in the U.S.A. for a week-long visit ending May 24. He had talks with Secretary of Energy Samuel Bodman, and other Administration officials. Their agenda included steps towards a U.S.-Russian agreement on peaceful nuclear cooperation (a so-called “1-2-3 agreement”), the situation with Iran’s nuclear program, and the need for lifting the “anti-dumping” duties on Russian enriched uranium sales to the U.S. electric power industry, which were enacted in 1992.

“We share the view,” Kiriyyenko said of his talks in Washington, “that it will be impossible to ensure global energy security in the next 30-40 years without large-scale development of atomic energy.” Since late last year, when Kiriyyenko became head of Rosatom, Russia has charted a national program to build nuclear power plants at home and abroad.

Kiriyyenko confirmed the scope of Russia’s plans, in a reply to the final question of his press conference, transcribed here, which came from Marsha Freeman of *EIR*. The Children’s Nuclear Academy, referred to here is a project to recruit high school students to careers in nuclear science, through competitive science projects and study.

EIR: Could you describe what your major goals are, in the big reorganization going on since your appointment as head of the Russian nuclear agency? There is a similar reconsideration going on in the U.S.A. And, I was wondering if you could tell us a little bit about projects like the Children’s Nuclear Academy, because one of the challenges in creating the next-generation nuclear science and engineering, is that we don’t have the people being educated.

Kiriyyenko: I’m going to start with the second question. Your questions are very pithy, and long.

The Children’s Nuclear Academy: Yes, this exists, and I view it as a very interesting project, because in sectors like nuclear power, the main value, the main characteristic, is its very great innovation potential, its great human potential. The main wealth of the nuclear industry is not the buildings, machinery, reactors, and so forth. All of that is secondary. The main wealth is the capa-

bilities of the people, who work in this sector—their intellectual, creative capabilities, their potential to innovate. Therefore, for the reproduction and expanded development of the nuclear power industry, the chief thing we need to reproduce is this unique human potential.

I told an earlier questioner, that I am certain the Russian nuclear sector can be competitive in the world market, and this is because of the people who work in the industry. Therefore our program for training and educating personnel is of fundamental importance for us, and the Children’s Nuclear Academy is one of the elements of such a program.

Now, on the other part of your question, here are the main elements. We have now prepared a federal program and submitted it to the government. First and foremost, it provides for the extensive development and construction of nuclear power plants within Russia. By 2030, we should complete 40 new nuclear power units at our plants. That is what is required, merely to maintain nuclear power’s share within electric power generation in our country. If we want to increase that share, which, indeed, is economically appropriate and sensible, then we will need to develop even more rapidly.

Secondly, we have the objective, set by the President in his recent Message to the Federal Assembly, namely to take steps to integrate Russia’s nuclear power industry into the world market. That means new contracts for building nuclear power plants abroad; it means new contracts for supplying nuclear fuel. . . . And what we are discussing now, about lifting the discriminatory restrictions on the supply of Russian goods and services to any markets, is also a very important objective, which is linked with the development of new technological solutions, of a new generation of technologies in the nuclear power industry—a new generation of reactors, a generation of fuels, a generation of waste-processing technologies. These are the most important tasks.



Courtesy of the Children’s Nuclear Academy

These young people are participants in the Children’s Nuclear Academy scientific competition for 2006. Their shirts say, “Energy of the Future,” and in the background is the Rosatom logo. Kiriyyenko is at center.

Afghanistan Spins Out of Control

by Ramtanu Maitra

The spontaneous riot in Kabul on May 29 made it evident that the Bush/Cheney-led occupation is now rejected everywhere in Afghanistan. The foreign troops and other foreigners have become the target of wrath of all Afghans.

The riots started when a U.S. Army truck accidentally crashed into a couple of civilian vehicles, killing some people. This triggered a violent response, with people taking to the streets and pelting stones at convoy vehicles. In turn, the security forces opened fire on a crowd, killing eight and wounding dozens. Kabul was subsequently placed under an overnight curfew, the first in several years.

The failure of the brutal neo-con policy of indiscriminate killing by U.S.-led coalition forces in Afghanistan, ostensibly to eliminate the al-Qaeda/Taliban nexus for the sake of rebuilding and ensuring a democratic future of Afghanistan, has finally rattled a few heads at the top. UN Secretary-General Kofi Annan told reporters on May 30, "Obviously, what has happened is symptomatic of perhaps deeper problems." He also said he had consulted with Afghan President Hamid Karzai and U.S. Secretary of State Condoleezza Rice about measures to help bring the situation under control.

In Kabul, President Hamid Karzai is shaken up by the latest developments. It has become evident that besides the physical threat that he faces, he, along with the occupying forces, will also be battered by the Parliament set up late last year. On May 30, under pressure from the population, Afghanistan's Parliament approved a motion calling for the government to prosecute the U.S. soldiers responsible for the deadly road crash. Saleh Mohammed Saljuqi, an assistant to the parliamentary speaker, cited the motion as saying, "Those responsible for the accident on Monday (May 29) should be handed over to Afghan legal authorities."

A spokeswoman of the U.S. military, who tends to ignore what the Afghan Parliament does or does not say, declined to comment. But she pointed out that the U.S. military will be investigating whether the American troops fired their guns into a group of demonstrators, or over their heads.

Although President Karzai's government has not identified, or even tried to identify, the rioters, for obvious ethnic and political reasons, what became clear nonetheless was that the targets of the angry rioters were the embassies of Britain and America, and the foreign non-government organizations (NGOs). The rioters attacked the NGO offices

while chanting "Death to America" and "Death to Karzai." Subsequently, as hostilities continue to escalate, three women and a man, all believed to be Afghans, working for the Action Aid charity, were shot dead in Mingajik district in the northern province of Jowzjan. They were reportedly attacked in their vehicle by gunmen riding motorcycles. Aid teams were often targetted in attacks blamed on the Taliban militia, but incidents such as these are relatively rare in Afghanistan's calmer north.

A large number of ethnic Tajiks were observed participating in the rioting. One Pakistani news daily pointed out that this is revealing. Because the majority of the Taliban are Pushtuns, Pushtuns remain divided on Karzai and the United States. While most anti-U.S. actions in Afghanistan come from the Pushtun ethnic group, these Kabul protests, which paralyzed the capital, heavily involved Tajiks. As one analyst pointed out, Kabul is a largely Tajik city, and the Tajiks hate the orthodox Taliban with a passion.

The May 29 demonstrators carried posters of Ahmad Shah Massoud, the Tajik leader of the Northern Alliance who had played a major role in expelling Soviet troops in the late 1980s, and then fought the Taliban tenaciously before being assassinated two days before Sept. 11, 2001. Significant numbers of Tajiks are clearly now turning against the United States. The Arab news daily *Al-Hayat*'s reporter in Islamabad, Jamal Ismail, suggested recently that some of the Tajik discontent derives from the way Karzai has eased out Northern Alliance Tajik leaders such as Marshal Muhammad Fahim and former Cabinet minister Yunus Qanooni, reducing Tajik dominance of the government in the name of ethnic diversity. There have also been attempts to limit the Tajik presence in the new Afghan Army, which is some 60,000 strong (some claim the strength as 80,000).

Reasons Behind Afghan Anger

Since late April, the anti-U.S. and anti-Karzai forces in southern and eastern Afghanistan have come alive. Regular clashes, large-scale battles are erupting every day. On the very day Kabul was shaken up by the rioters, more than 50 insurgents were killed in a U.S.-led air strike on a mosque in Afghanistan's southern province of Helmand. Several "Taliban leaders" were among those killed in the pre-dawn attack in the Kajaki district of the province, Amir Mohammad Akhundzada, the deputy provincial governor, said. Spokesmen for the U.S.-led forces in Afghanistan could not be contacted immediately for comment, according to Reuters.

During the last two weeks of May, about 300 people, some militants but also civilians, dozens of Afghan security forces, and four foreign soldiers have been killed in the battles in southern Afghanistan, the area that has been the focus of insurgency since U.S.-backed forces ousted the Taliban in late 2001. Five Canadian soldiers were hurt and up to six alleged Taliban militants were killed, during a gun battle in

southern Afghanistan in the early hours of May 29.

But there are other reasons and other organizations involved in exploiting Afghan anger. To begin with, the revelation in May 2005 that in Guantanamo Bay, where Muslim prisoners were held and interrogated, the Americans carried out deliberate desecration of the Holy Koran as psy-war against the prisoners, caused massive demonstrations in Afghanistan.

According to B. Raman, a former Indian intelligence officer, the violent demonstrations came in the wake of spreading anger against the United States and the Karzai government, due to the frequent use of air strikes by the United States in its counterinsurgency operations against the Taliban in the Kandahar area. The demonstrations also came at a time when the Hizbut-Tehrir (HT), which is headquartered in London and has an increasing following among Afghan youth of different ethnic groups, has stepped up its propaganda against the U.S., the U.K., and the Karzai government.

Of late, the HT has sought to exploit various issues to recruit youth in Afghanistan, including the alleged desecration of the Holy Koran at Guantanamo; the Danish cartoons caricaturing the Holy Prophet; incidents of violence in Guantanamo Bay; the denial of economic assistance to the Hamas-led government in the Palestinian territory by the West; and the alleged violation of the human rights of the Iraqis and the Afghans.

Corruption and Drugs

In southern Afghanistan, where the insurgents are most active, Karzai Administration officials have been regularly accused of promoting warlords. Veteran Pakistani journalist Ahmed Rashid pointed out recently in an article with the BBC that the southern Afghans believe that for the past five years, President Karzai has tolerated Pushtun warlords as governors, police chiefs, and administrators in the south. Most of these warlords were discredited and defeated by the Taliban in the 1990s, but were resuscitated by U.S. forces to help defeat the Taliban in 2001. Unlike Northern Alliance warlords who tended to defy President Karzai's authority, these Pushtun warlords were friends of the government and helped secure the Pushtun vote for Karzai in two Loya Jirgas and two elections in 2004 and 2005.

The evidence of continuing power of the warlords exists for all to see, in the form of vast poppy fields. London's *Independent* news daily reported on May 10, that a two-hour drive away from the southern city of Kandahar brings one to the massive poppy fields. An estimated 40,000 to 50,000 hectares of poppy are being cultivated in Helmand this year, at least a 50% increase over last year. "Afghan poppy farmers expect a record opium crop and a combination of factors have conspired to produce what is probably the biggest opium harvest in the history of a province that, last year, produced more than 20% per cent of the world's heroin on its own," the report said.

It is evident that a law and order vacuum has allowed an increasingly well-organized drug cartel, a corrupt local government, and resurgent Taliban to structure the poppy cultivation of the province as never before. That has combined with fine growing conditions this year to produce what, if these were wine producers, might be considered a memorable vintage. This record crop is a dispiriting blow for the international counter-narcotics effort, as almost 90% of the world's heroin comes from Afghanistan.

At the same time, the anti-NGO outbursts exhibited during the Kabul riots were neither surprising nor altogether unjustified. In April 2005, President Karzai had called some of the NGOs operating inside Afghanistan "corrupt." After making known Article 8 of the new Afghan legislation that prevents NGOs from bidding for Afghan government-sponsored project contracts, Karzai had called a meeting with ambassadors and representatives from the United Nations and donor countries based in Kabul. Accusing some NGOs of squandering the precious resources that Afghanistan received in aid from the international community, Karzai had told the gathering: "We have a responsibility towards the Afghan people, as well as the taxpayers in the donor countries, to stop NGOs that are corrupt, wasteful, and unaccountable."

The Afghan President announced the establishment of a task force, consisting of Minister of Economy Mohammad Amin Farhang, Minister of Rural Rehabilitation and Development Haneef Atmar and chief of staff of the President's Office Umer Daudzai, to examine the issue and submit recommendations in no more than a month.

To many observers of Afghan developments, Karzai's move against the NGOs was overdue. In November 2005, Abdur Rasheed Saeed of the Institute for War and Peace (IWP) reported that Planning Minister Dr. Ramazan Bashar Dost had told him of thousands of NGOs (there are some 3,000 NGOs in Afghanistan, of which close to 350 are foreign-based) that had failed to deliver effective assistance to the stressed Afghan people. In December, ostensibly under pressure from the NGOs and the countries they represent, Dost was forced to resign. It was evident that in asking Dost to step down, Karzai, whether he liked it or not, had to succumb to the external pressure.

Since becoming the Planning Minister in March 2004, Bashar Dost made it clear publicly that the NGOs were ineffective and had wasted money that should be spent on the Afghan people. Pointing out that existing Afghan law "didn't clarify the responsibility of NGOs and the procedure for their control," Dost spearheaded a draft law that would regulate their operations. He noted that when an NGO receives funds, either from a government or a non-governmental source, they are supposed to distribute most of those funds to the people of Afghanistan. "I have yet to see an NGO that has spent 80% of its money for the benefit of the Afghans and 20% for their own benefit," he said.

LaRouche Youth Bring *Ideas* to Mexican Presidential Campaign

by Gretchen Small

As the global financial crisis sends Mexico careening toward another debt blowout, LaRouche Youth Movement leader Ingrid Torres told the youth attending the LYM-sponsored debate between the LYM and the youth organizations of Mexico's main political parties, held May 31 at Mexico City's Legislative Assembly, that they must prepare themselves to assume the responsibility of governing. "Let us be historical political actors, not pragmatists," she exclaimed.

The LYM set out to organize a debate on the subject of "Mexico's Next 50 Years: What Is *Not* Being Discussed in the Presidential Elections," after absolutely nothing of relevance was said by any Mexican Presidential candidate in the first televised Presidential debate on April 26. With only weeks before the July 2 elections, the LYM decided that history required mobilizing young adults to take responsibility for the nation, and so they issued a challenge to the youth organizations of leading political parties, labor unions, and popular groups, to come debate Mexico's future, as the first of a series of policy interventions in the nation's capital.

The challenge to debate interested the other youth, and on the eve of the scheduled debate on May 30, the youth of the three major parties—the Revolutionary Institutional Party (PRI), the National Action Party (PAN), and the Democratic Revolutionary Party (PRD)—had designated their speakers: a student from a free-market neo-liberal school was chosen by the PRI youth; the PRD chose a 28-year-old economist studying for a doctoral degree; and the factionalized Mexico City Youth Committee of the PAN settled their disputes by naming four representatives. The press was invited to attend what they were told could be an historic event, perhaps the most important of the electoral period, because Mexico's youth will determine their nation's future.

Two Worldviews

Come the hour of the debate, the PAN and PRI youth representatives apparently did not dare to show up. But the PRD debater came, as did 30 youth largely organized by the LYM, along with three PRI youth, and two young reporters.

With a young activist from the PRD party, Blanca Pérez, moderating, four pressing issues which, until then, had been largely ignored in the campaign were taken up, one by one, by Torres and PRD representative Irving Gómez Lara:

- the International Economic and Financial Crisis;

- Ibero-America's Place in World Policy: Mexico's Leadership in Ibero-America;
- Large-Scale Infrastructure Projects for the Next Generations (Transport, Water and Energy); and
- Financing of Long-Term Projects (25-50 years).

As the debate developed, it was clear that the two debaters were agreed, by and large, on several key points as to where the world had gone wrong: that the changes in the global financial crisis implemented under President Nixon, creating a service economy through which the technocrats and corporations like Dick Cheney's Halliburton had ruined things; that Mexico had turned its back on its historic role as a leading defender of national sovereignty, and that must be reversed; and that technological backwardness was crushing Mexico. The PRD's Gómez Lara, for example, argued the necessity for Mexico to develop an aerospace sector, which, in turn, would build up eight other productive sectors in the economy. How could it be, he asked, that 108 years after Ford's famous Model "T" came off the assembly line, Mexico had yet to manufacture its own internal combustion engine?

What became clear in the course of the debate, however, was that two differing worldviews as to how to approach what must be done were under discussion: one well-meaning but pragmatic, localist, and short-term; the other, Lyndon LaRouche's concept of how to change history. This difference emerged most starkly in the last exchange, on the question of financing for infrastructure projects.

The LYM's Torres set the stage for the last question, by constantly raising the discussion of the first three issues to a higher level, briefing people on the international realities of the crisis and what the LaRouche movement is doing about it, and addressing the underlying premises which had led to the state of crisis now engulfing the world. The cause of this crisis is the culture of the '68ers, with their post-industrial delusions, she said. Now, to restore Mexico's sovereignty, we must develop a culture which permits our people to discover humanity's most beautiful ideas from the past, in order to give new discoveries to future generations. That must be our moral commitment as a generation. We must change the system in which economies are treated like prostitutes, where morality does not matter, but only profit, she said. Our next President must join the efforts of the regional "Club of Presidents," understanding as Argentine President



EIRNS/Sergio Oswaldo Barbosa Garcia

LYM leader Ingrid Torres performs in the Mexican LYM chorus during Lyndon LaRouche's visit to Monterrey in April 2006. Torres is the singer at the far right. In representing the LYM at the youth debate on May 31, she challenged those present to rise to the highest level of culture and science, in order to solve the problems facing the nation.

Néstor Kirchner has said, that we need a United States with which we can collaborate.

We must ask: What is infrastructure? It is not the urban blight of commercial centers and Wal-Marts, but investment by the state in the water, transportation, and energy projects required to sustain a modern agro-industrial economy. The function of infrastructure, Torres said, is not only to raise the physical conditions of the population; the employment of the most advanced technologies in these projects provokes knowledge of the creative nature of the human being.

Such is the case with nuclear energy, which must be addressed from the standpoint of LaRouche's concept of energy flux density, and Gottfried Leibniz's concept of power, she explained. Alternative energies do not provide the degree of efficiency of power required for the survival of a world population of more than 6 billion people. In developing this idea, Torres addressed the strategic importance of saving the U.S. machine-tool sector in its auto industry, in order to produce the machines required for these infrastructure projects.

Not Illusions, But Dreams Are Needed

By the time they came to the fourth topic, Gómez Lara was provoked. There are no philosophical systems behind economic policies, he declared as his opening shot in the discussion of how to secure financing for long-term projects. We must not fall into utopias; we should be pragmatic, he insisted, before launching into a defense of what his Presidential candidate, Andrés Manuel López Obrador, calls "republican austerity," a recipe for cutting the salaries of public employees and "excess" personnel, as the way to raise money to finance needed projects. Gómez Lara ended his intervention, however, by saying that he did not agree with everything his

candidate said, and he called on the youth to investigate the campaigns and proposals of all the candidates.

We have arrived at the hard issue, Torres replied, which stumps not only Mexican politicians, but economists and politicians around the world: "Where the devil is the money for this going to come from?" That is because people think of the economy like the housewife views the family finances, adjusting her budget by cutting what she can here, in order to buy what she needs there; she, and the others, believe that the economy is money. Under those parameters, there is no way to sustain a growing population, Torres said. The real issue is the concept of credit; the concept of the sovereign nation-state which creates what it needs to guarantee the general welfare.

Earlier in the debate, Gómez Lara himself had mocked Adam Smith's idea of the "invisible hand," of "market forces" being treated as if they are actual physical entities. But now, Torres told him, you are treating money as if it decides something on its own.

As for the idea that economic systems do not reflect any philosophical systems: If you rule out the human mind's understanding, we can understand something logically, but we cannot understand what caused it. As in the case of Hitler, for example: We can logically understand how the economy functioned under his regime, but we cannot answer the question, why did he do what he did? Remember the method of Johannes Kepler, who, instead of simply measuring effects, sought to discover *why* the universe works in such a way, and not another. This is the problem of economists, she said. They set out to measure effects, using the method of "Where is Wally?" to see where they can find the money. They concentrate on measuring variables, but not to discover what it is that organizes the variables in such a fashion.

There is a difference between an illusion, and a dream, she continued. An illusion is to think that voting on July 2 will fix everything; a dream is that which a sane person requires to develop him or herself, such as to understand the Solar System, or to learn a musical instrument, a new language, or about the physical economy. Like Kepler, who envisioned that man could leave the planet Earth, even though neither the technologies—nor the money!—existed in his day to do so. Dreams, therefore, are a precondition for sanity, although they are not the same thing as sexual fantasies, which are not healthy, she cautioned!

We must understand the historical causes which have brought us to this period of current history, she said, and called upon the youth present to not only investigate the candidates' campaigns and be pragmatic politicians, but to be political actors in changing history.

All the participants in the debate were pleased by the discussion, and agreed that more such debates among youth must be organized. The process of organizing the debate—including with those who did not show up—itself forced a discussion of the reality that it falls to this generation to address.

Twins: The Two Losers

by Scott Thompson

Like two drunks leaning against one another to hold each other up, the “Axis of Feeble”—President George W. Bush (at less than 30% approval rating) and British Prime Minister Tony Blair (at 35% approval rating)—met at the White House on May 25. At a press conference that evening, Blair caved in to Bush’s demand that no timetable be set for withdrawal from the growing quagmire of Iraq. Instead, they stumbled through lines about how they had brought peace and democracy amidst the bloodshed.

In both men, except for when Bush backtracked to state that he would find a “diplomatic” solution in Iran, there was a total disconnect from reality, typical of Baby Boomers in denial.

Next to the Iran question, the only reality in the press conference came when a British journalist started to ask, “Prime Minister, this is possibly your last official visit to Washington as Prime Minister—”

“Wait a minute,” interrupted Bush, adding: “Back-to-back disses.” The reporter continued asking what the two men would miss about one another to which Bush jumped in to say: “. . . My attitude is, I want him to be here so long as I’m President.”

Tinny Blair, for once speechless, remarked: “Well, what more can I say?” Then, after the press laughed, he said (to more laughter), “Probably not wise to say anything more at all.”

A Sophist at Georgetown University

The next morning at Georgetown University, Blair gave a lesson in sophistry that was totally disconnected from the no-win wars and systemic economic collapse that have been the record of these two “lamest of ducks,” as *The Economist* dubbed the duo in its May 11 issue. In his third major foreign policy address, Blair presented a *smorgasbord* of reforms to deal with a globalized world, sounding as if he would be in office forever.

Endorsing the George Shultz-authored doctrine of preventive war, Blair declared: “We all agree that the characteristic of the modern world is interdependence. We haven’t yet thought through the consequences. . . . What this means is we have to act, not react: We have to do so on the basis of prediction, not certainty; and such action often will be usually, indeed, be outside of our own territory.”

Blair said that the world must prepare for wars thousands

of miles from the United States and United Kingdom.

In terms of Iraq, whose new government formation postponed a trip that had originally been planned before Easter, Blair said that despite its having become a battleground for insurgency: “This is a child of democracy struggling to be born. They and we, the international community, are the mid-wives.”

Other structural reforms that Blair called for to meet a globalized world include:

1) Strengthening the United Nations. The UN Security Council should be expanded to represent the globalized world, and the role of the UN Secretary General should be upgraded. An environmental component should be added with a change in the UN Charter to reflect that.

2) Merging the World Bank and the International Monetary Fund, which are both bankrupt.

3) Energy policy. There should be a Kyoto II protocol drafted at the next Group of 8 plus 5 meeting, and America should be a part of the fight against global warming with China and India. The world needs to move away from a carbon-based energy economy. An international agency should reprocess uranium, so that all countries do not need the full fuel cycle.

And, so he blathered on in front of a totally docile audience.

Trouble at Home

At home, Blair’s approval rating continues to plummet, after the “cash for honors” scandal being investigated by the London Metropolitan Police, the heavy losses in May 4 local Council elections, and a sudden Cabinet reshuffle or regime change, that earned him the sobriquet “MacBlair.”

The “cash for honors” scandal is moving ever closer to Blair, who could face up to two years in prison. Police questioned the four millionaire businessmen on Blair’s last nomination list for peerages and a seat in the House of Lords, “under caution”—which means that they might be targets in the probe. Also questioned was former Labour Party chairman Ian MacCartney, with whom Blair had been in cahoots to raise the secret loans for the last general election.

This does not say exactly how Tinny Blare will go, but as Lyndon LaRouche put it in an address to economists in Germany [see p. 4], “. . . The point is that we are in a situation, where likely the Blair government in Britain, and the French government, and some other governments—the U.S. government is ready for a change, a very sudden, and very sharp change, probably in near the future.”

In each case, the cause of the collapse is the systemic economic breakdown crisis that Prime Minister Blair so studiously avoided addressing in his speech at Georgetown University.

“Hmmm—I’ll miss those red ties, is what I’ll miss,” President Bush added in answer to the question of what he would miss about Tony Blair.

International Intelligence

Obrador: I Will Deal With Debt the Way Kirchner Has

On the campaign trail in Jalisco June 1, Mexican presidential candidate Andres Manuel Lopez Obrador, of the Democratic Revolutionary Party, dropped a bombshell.

Said Obrador, one of the two leading candidates in the July 2 election, "It has been shown that things go better for countries or governments which don't adjust or adhere precisely to everything which these international financial bodies dictate. The 'Washington Consensus' has been shown as not the best for developing countries, such as ourselves. Argentina, for example, achieved a very good debt negotiation, despite pressures against it. The country [Argentina] was on the floor. It was bankrupt, and President Kirchner knew how to carry out a very good debt negotiation, and this freed up funds for national development. . . .

"We are going to fulfill our obligations, but not in an orthodox manner. The technocrats who have been managing the country's economy have gone beyond what was asked of them. They let people walk all over them. . . All as fundamentalists," Lopez Obrador charged.

The popular mayor of Mexico City also said he would ask Mexico's central bank to stop favoring speculative groups. And he reiterated he would set up a Truth Commission to evaluate the \$120 billion spent on bailing out the banks, on which the government pays a high price.

NGOs Push Privatization Of Scarce Water Supplies

Privatization and control of scarce water were discussed by several NGOs as the way to deal with water scarcity, at a May 24 forum in Washington on "Understanding the Global Water Crisis." The event was sponsored by the project Global Environmental Change and Human Security (GECHS). After presenting the facts: 1 billion people do not have access to safe water; 2 billion

have no access to a minimum health institution; and 2 billion lack sanitation, the speakers provided no solution, except to allocate water through price—commodity control mechanisms—explicitly privatization.

When LaRouche movement organizer Larry Freeman presented the alternative of nuclear desalinization, this was dismissed because this technology "would always be 20 years away," and spreading nuclear power plants (as opposed to solar) throughout the underdeveloped world would only cause another problem.

In discussion with others attending the forum, all agreed we need more water, but no one wanted to think through how to do it.

When Freeman told the group that we can create fresh water through science and technology, the sponsors of the forum got visibly nervous.

One member of the group suggested using "demand-based" pricing to obtain water.

As Lyndon LaRouche noted recently, control of water by the financier oligarchs, especially in arid regions such as Africa, is more important than oil.

At the forum, it was noted that Nile River water is controlled by Sudan and Egypt, and that it is too small in volume for the 10 countries in the Nile basin, much less just for even Egypt's needs.

The zero-growth, anti-science and anti-infrastructure prejudices of the NGOs put them, intentionally or not, in the camp of the genocidalists.

Iraqis: GIs Killing Civilians Every Day

Iraqis are becoming increasingly enraged over the killings of civilians by U.S. troops.

Prime Minister Nouri Al Maliki said June 1, "This is a phenomenon that has become common among many of the multinational forces. No respect for citizens, smashing civilian cars, and killing on a suspicion or a hunch. It's unacceptable." He added that attacks on civilians will play a role in future decisions on how long to ask American troops to stay in Iraq.

Maliki said June 2 that the Iraqi govern-

ment would likely seek the investigation files on the Haditha massacre from the U.S. military.

Deputy Prime Minister Salam al-Zubaie, said in an interview with the *New York Times* that "As you know, this is not the only massacre, and there are a lot. The coalition forces must change their behavior. Human blood should be sacred regardless of religion, party, and nationality."

Muayed al-Anbaki, chairman of the Iraqi Human Rights Association, said June 2, in reaction to the video of the incident in Isha, said, "It looks like the killing of Iraqi civilians is becoming a daily phenomenon."

As a solution to this problem, Lt. Gen. Peter Chiarelli, the Multi-National Corps commander in Iraq, on June 1 issued orders that all coalition troops in Iraq are to undergo two to four hours of "core warrior values training."

Yet to be addressed: Who has been responsible for the coverups of the incidents that are finally beginning to be reported? How far up the chain of command does the responsibility go?

Basque Microstate Leaders Hail Montenegro Vote

In a background interview with the *Financial Times Germany*, the chairman of the Basque nationalist Party PNV, Juan Jose Ibarretxe, welcomed the recent independence vote in Montenegro. This vote "reinforced the Basques to go for a Referendum on their own Independence," he said. He strongly criticized EU Commissioner Javier Solana, who had said that whoever compares Montenegro with the Basque would be "mentally confused."

The Solana statement represents an attack against hundreds of thousands of Basque voters, he said.

Basque ETA founder Julian Mariaga gave indirect support to Ibarretxe by stating that the Basque people must vote on their own destiny. For the independence of the Navarra and the French Basque region, We must convince politically, and not by way of an armed struggle, he said.

Oil For Nuclear Technology, Now!

June 15 will see the convening of a most extraordinary event, which holds promise for all of the Americas, and beyond. Under the title “Oil for Nuclear Technology,” representatives of the LaRouche Youth Movement (LYM) and *Executive Intelligence Review* will hold simultaneous linked meetings in Mexico City and Buenos Aires, which will be webcast internationally, in a combination of English and Spanish, on the larouche-pub.com website.

Broadcast in English will be the keynote presentation by *EIR* founder and leading economist Lyndon LaRouche, who will speak on “The LaRouche Plan for a Transition to a High Technology New World Economic Order.” Following the question and answer session with LaRouche, the conference will be webcast in Spanish and addressed by Mexican Congressman Agustín Rodríguez, the Secretary General of the STUNAM workers union; *EIR*’s economics writer Paul Gallagher; a member of the Mexican LYM; and spokesmen on energy matters from Argentina and Bolivia.

Indicative of the importance being given to this dialogue in Argentina is the fact that the event will be held in an auditorium of the National Atomic Energy Commission (CNEA), the government agency which has been in charge of that nation’s nuclear energy program for decades, and which knows LaRouche since his 1984 visit to that country. The CNEA has pronounced the meetings to be “of institutional interest” to the agency.

The topic under discussion should indeed be “of interest” to every citizen concerned with putting the Western Hemisphere back on the track of economic growth. LaRouche himself began a major campaign for shifting to nuclear power as the world’s most efficient energy source back in the 1970s. In the early 1980s, he was involved in collaboration with many leaders of developing-sector nations, most notably Mexican President José López Portillo, toward a perspective of oil-for-nuclear, whereby the massive gearup of the petroleum industry in those countries would be used to fuel a crash program to build dozens of nuclear plants. These plans were literally murdered by the international fi-

ancial institutions, which moved in to insist, in the hypocritical name of “safety” and “ecology,” and the blatant name of austerity, that these programs had to be dropped.

At the same time, those same international bankers dictated a move to a globalized post-industrial service economy, which has systematically been destroying the physical base and labor power required for carrying out a nuclear renaissance, within the industrialized sector. The most recent phase of this destruction is the full-scale dismantling of the auto industry in the United States, the primary locus of machine-tool capability required for rapid, “surge” reindustrialization.

Lyndon LaRouche personally has been at the center of relaunching an international campaign for a nuclear revival, in tandem with his proposals to save the auto sector in the United States, in particular. During a trip to Mexico in March of 2006, he emphasized the need for that country to return to the perspective it had under López Portillo, in the context of a hemisphere-wide drive to crank up nuclear power. It was already clear at that time, that leading developing-sector nations, plus Russia, China, and even forces within the United States, were beginning to prepare for rapid expansion of nuclear power, after nearly three decades of desuetude. Since then, the momentum has visibly increased.

It is only lawful that the political leadership for this oil-for-nuclear campaign in Mexico, and in numerous other countries as well, has been taken by the LaRouche Youth Movement. The Mexican section of the LYM began an aggressive campaign for nuclear power back in April, both on the streets and in the halls where decision-makers gather, such as Congress. Pointing out how essential nuclear power is for solving the water, power, and transport crises of the nation, the LYM has demanded that politicians take the long-term perspective required to building a future for their progeny.

When optimistic, and highly intelligent, youth decide to galvanize their nations into taking bold action for the future, they often make revolutions. On June 15, you will see such a revolution in action.

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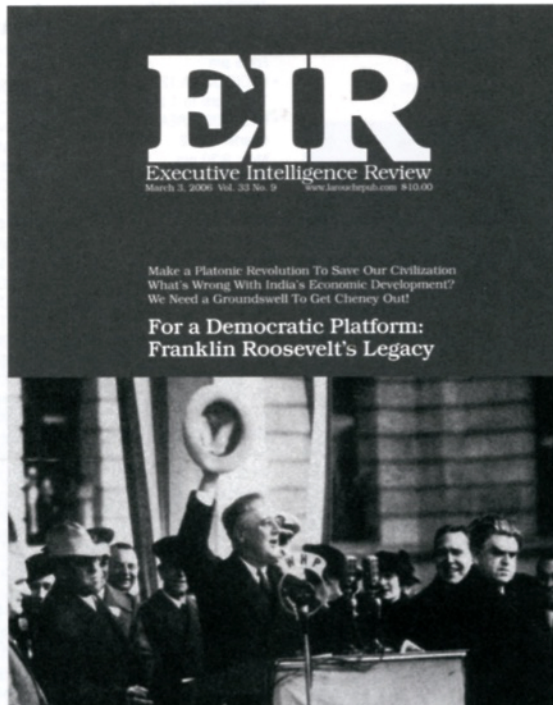
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