

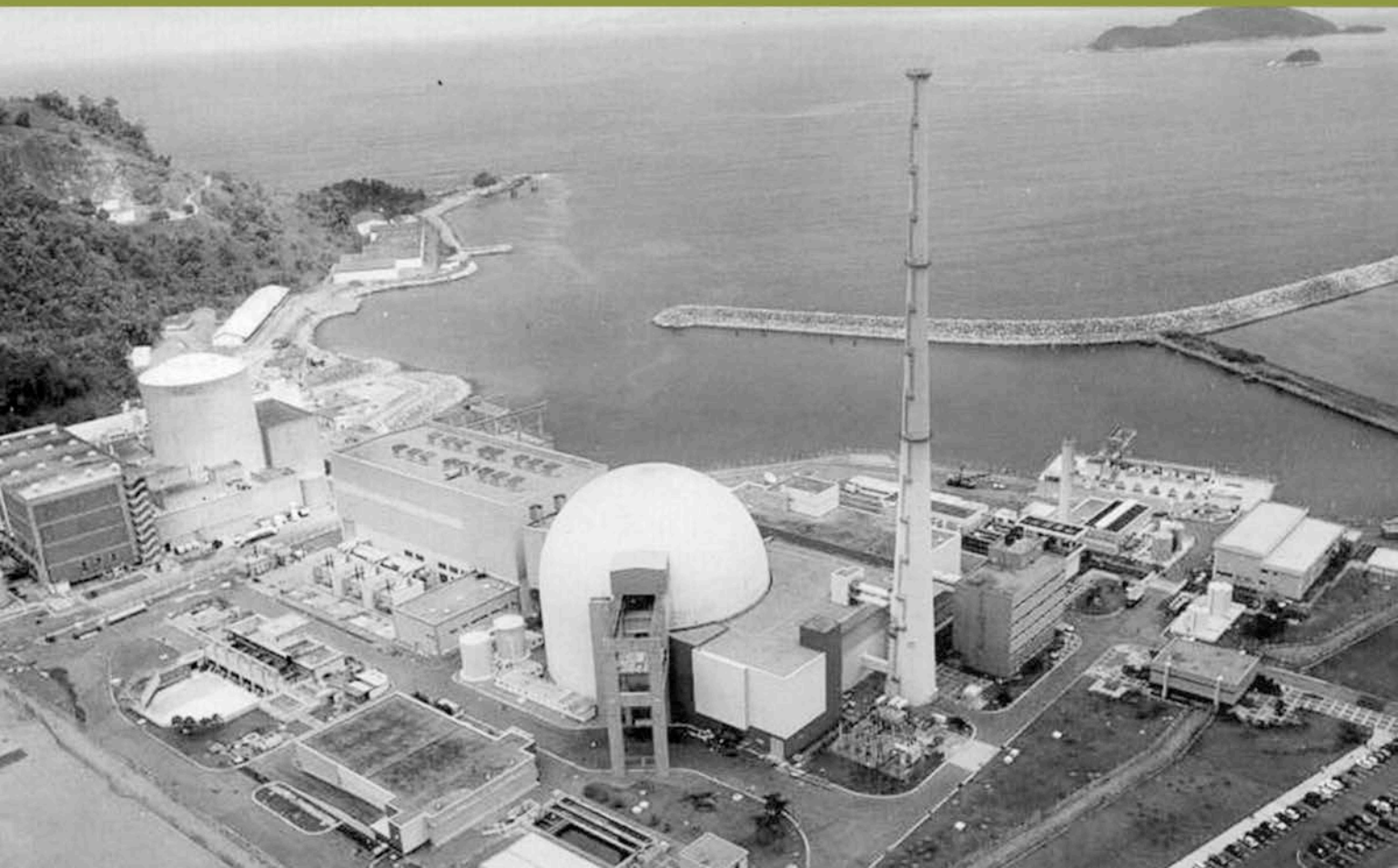
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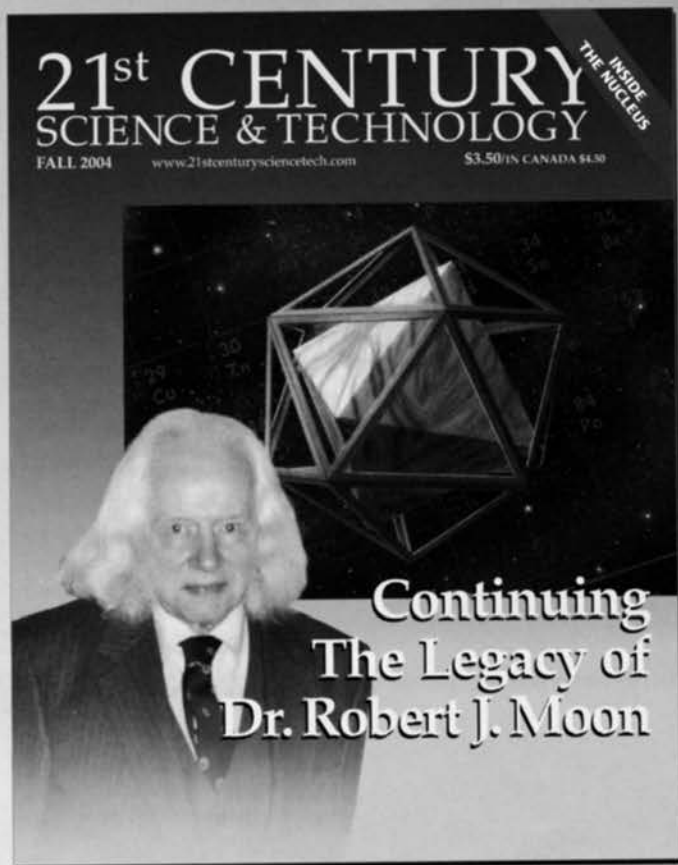
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Leading Dems Take Up Vote-Suppression Fight

**Oligarchy's 'Economic Hit Men'
Sabotage Global Development**



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From the Associate Editor

Beginning with Lyndon LaRouche's article "The Great Crash of 2004-2005 Is Here!" this entire issue deals, in one way or another, with the necessity of inspired and effective leadership in this time of crisis, when the synarchist bankers are attempting to consolidate their "cold coup" in Washington, even as the global financial-economic system crumbles. LaRouche ridicules the "world-wide assortment of liars and gullible fools" who insisted, right up through the Nov. 2 Presidential election, that the crash forecast by LaRouche would not occur. Since it is now ongoing, he writes, the "most important of the political facts of today's reality, is that I have been consistently right on this set of issues all along, since no later than the late 1950s when I was already forecasting a certain probability for the crucial breaking global economic developments which were to actually happen beginning the late 1960s."

Our *Feature*, the second installment in a series on what author John Perkins calls the "Economic Hit Men" (EHMs), develops—far beyond what Perkins does in his best-selling book—the EHMs' assault on the nation-states. We at *EIR* know the story inside-out, because we were there, with LaRouche playing a leading role, as shown by Helga Zepp-LaRouche's report, and the timeline on pp. 20-30. We also provide a profile of EHM-controller George Shultz, a review of Perkins' book, and an interview with the author.

International news coverage documents the EHMs' current assault on Argentina and Ukraine, and the insane economic policies and geopolitics surrounding U.S. actions in Korea and Afghanistan.

Leading the *National* section is LaRouche's call for Democrats to join him in the principled battle to uphold the Voting Rights Act, expressed as the need to bring to justice the perpetrators of voter suppression in the recent election. Winning this battle will be a vital blow against the synarchist hit men.

And in our *Strategic Studies* section, a Nov. 14 memorandum by LaRouche, "A Time for Some Real Leadership: Is Fallujah a New Dien Bien Phu?" sets the context for an analysis of the situation in Iraq today, plus useful historical background on the French debacle at Dien Bien Phu—as well as Gen. Douglas MacArthur's contrasting, effective leadership at the Inchon landing during the Korean War.

Susan Welsh

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The Great Crash of 2004-2005 Is Here!

by Lyndon H. LaRouche, Jr.

November 28, 2004

It is time to speak, in the spirit of Aeschylus, Shakespeare, and Schiller, of the Great American Tragedy of 2004.

Some featured cartoons in the weekend British and U.S.A. press, among other relevant sources, have announced that the world's present, great monetary-financial crisis is now accelerating into its phase as a general collapse.

Typical of this lunatic situation is the rising chorus of voices heard from Asia and Europe, which propose an immediate withdrawal from the collapsing U.S. dollar now, while, they propose, something of value must still be salvaged by pulling away from the dollar, "in time." Contrary to their delusions, the trend toward a "basket of currencies," as an alternative to the dollar, will merely accelerate the already onrushing world-wide depression.

Such a proposed solution is something clearly designed by "basket-cases," a scheme under which those nations act to accelerate the collapse of the dollar, thus pulling the whole, dollar-based world monetary-system down around their own ears, all the quicker.

So much for that world-wide assortment of liars and gullible fools who had insisted, up through November 2nd, that the actually collapsing U.S. economy, the economy now under the wonderful statesmanship of the world's worst idiot, President George W. Bush, Jr., was already on the way to a triumphant parade. So, Bush, like the famous Emperor of Hans Christian Andersen's tale, was seen by credulous true believers, as wonderfully clothed, and, so garbed, and garbling, moving outward and onward through the coming pages of history into the chilling nightmare just beyond the outskirts of his, and credulous admirers' delusions.

Meanwhile, among most of my visible leading rivals to

be found among the world's notable economists and political figures, most, until now, have either flatly denied that such a monetary-financial crisis was already in progress, or have insisted that reforms must be confined within the conditions specified by authorities such as those two predatory instruments of world government which have done the most to cause this depression-breakdown over the course of the recent thirty-odd years, the International Monetary Fund (IMF) and World Bank.

Therefore, most important of the political facts of today's reality, is that I have been consistently right on this set of issues all along, since no later than the late 1950s when I was already forecasting a certain probability for the crucial breaking global economic developments which were to actually happen beginning the late 1960s. My initial forecasts, as increasingly widespread during the late 1960s, were confirmed by such signal events as the 1967 sterling and 1968 dollar monetary crises, and the monetary breakdown of 1971-72. This forecast, as updated during subsequent decades, continued from the 1967-1971 interval, up through the hot phase of the 2004 Presidential election-campaign. I made very few predictions, and concentrated, instead, on forecasts of likely turning-points ahead, during that entire period, from the late 1950s through the present day.

Therefore, under present circumstances, the most important political issue, whether in the township of West Podunk, Washington, D.C., or other world capitals, is the manifest corruption (or, simply incredible degree of ignorance) of those who, out of stupidity, cupidity, or simple foolishness, are unwilling to say that the most important political fact of this moment, is that I have been right all along, and those who either opposed me, or simply try to change the subject to diversionary local, or even totally irrelevant issues, have been



Lyndon H. LaRouche, Jr. campaigning for President in 1976 at the Westinghouse plant in Philadelphia. Unlike the majority of U.S. political leaders, he has consistently broken the cultural equivalent of the “electrified fences” that control cattle (or people), and warned that the entire global financial-monetary system would be destroyed, if our “post-industrial” consumerist axioms did not change.

fools. Such among my sundry opponents have been thus self-discredited by a factually undeniable, onrushing global economic avalanche. I repeat: Typical are those who refuse, slyly or otherwise, to discuss that “issue,” but prefer to focus on localized or special “current issues” which have no direct relevance to the presently onrushing economic collapse of the entire world’s present monetary-financial system.

Why should anyone listen to anyone who makes a fool of himself, by preferring to discuss “other issues” such as “local issues”? This includes those, among us, who play the opportunistic fool in that way, even now, when it can no longer be denied by any sane person, that the system which Bush praises is coming down fast, and hard. The fate of all humanity, for generations to come, is being determined, right now, by the issue of the refusal of governments, up to now, to face the onrushing reality which I have been forecasting, with repeatedly proven exceptional accuracy, over more than forty years. When will they become willing to discuss the real issue of today? After they are dead, or, perhaps dying in a Hitler-like, Bush Administration concentration-camp? Now, when that great world financial collapse is onrushing, who is willing to make himself a public fool, still, by discussing “some other issue,” some issue other than why I have been right, and my so-called critics proven terribly wrong, over all these years?

So much for people who claim to have “learned from experience.”

Such a pattern of mental and moral disorders among the majority of a nation’s leading official and popular opinions, defines a real-life Classical tragedy, such as Athens’ suicidal folly of its Peloponnesian War, the New Dark Age of Europe’s Fourteenth Century, the 1618-1648 Thirty Years War, and the two great “World Wars” of the Twentieth Century.

The Politics of Tragedy

Classical tragedy, as typified best by the work of Aeschylus, Shakespeare, and historian Friedrich Schiller, does not focus, as Romantics do, on the alleged failure, and defeated desires of leaders of society, such as the pathetic puppet Bush, but on the failures of the cultures which the society’s selected leaders fail to overturn. On that account, the great tragedians of our culture are the truest of its historians. To understand the U.S. and its people of today, you must be, first of all, a qualified adversary of the Romanticism which Samuel Taylor Coleridge and his followers applied to their influential, but corrupt

commentaries on Shakespeare.

The source of tragedy lies within the characteristic feature of that culture to which it occurs, as the suicide of Pericles’ Athens was rooted in the reductionist culture typified by the Eleatics and Sophists, and as the doom of Imperial Rome, like the empires of Mesopotamia earlier, lay within the nature of its induced, or otherwise acquired culture. The root-cause of such tragedies, such as that of the Hapsburg followers of Spain’s Grand Inquisitor Tomás de Torquemada, was the culture of that Spain, as portrayed by Cervantes’ *Don Quixote*, and consummated in the self-destruction of Spain in its religious-warfare and related barbarities of the Sixteenth and Seventeenth centuries. So, the tragedy of Europe, since the so-called “Seven Years War” and the February 1763 Treaty of Paris, has been rooted in the rising power of the influence of the Anglo-Dutch Liberal philosophy associated with the imperial British East India Company and its sequelae. From that latter source, came the fascism of the 1922-1945 interval, and the new, fatally tragic form of fascism crafted by the Congress for Cultural Freedom, more accurately identified as “globalization” today.

The proximate source of our U.S. national tragedy today, is the assumption of politicians and others, that we must operate within the bounds of the ideology of contemporary liberalism, as liberalism is typified by fascists such as mass-killers Zbigniew Brzezinski and his crony Samuel P. Huntington,

and other avowed co-thinkers of the tradition of H.G. Wells' *The Open Conspiracy*, such as former Secretary of State Madeline Albright.

Ideologies such as those act on the behavior of populations and their leaders as an electrified fence herds cattle. There is a grievous shortage of qualified political leaders, such as I am, who insist on breaking those fences.

That fear of electrical-like cultural fences controls not only nearly all our leading politicians and political parties, but the general behavior of assorted groupings within our general population. This works to such included effects as the following. As one now deceased relevant associate of former President George H.W. Bush said of the decision to frame me up for imprisonment, in 1988: "He tried to make policy without paying his dues, and this is where he ended up." Very few of our leading politicians have had the guts to do what I have done on those many issues which incurred the homicidal passions against me, of both some Soviet governments and the Anglo-Dutch Liberal establishment of Europe and the U.S.A. It is those politicians' lack of guts, on that account, which is the essence of the deadly national tragedy which holds the U.S.A. and all of its people in its grip right now, as this world-wide monetary-financial crisis comes crashing down.

The crucial issue on which the influence and potential for survival of our entire international association depends, today, is now posed, is the matter of my vindication as the fellow who has been right on the implications of world-trends in economic and monetary-financial policies under the 1946-2004 IMF system, over not less than forty-five years, but, emphatically, since I began teaching an increasingly politically controversial course in economics, forty years ago. What is demonstrated by that history, is that my systemic assessment of the implications of the trends of policy-shaping within the IMF system has been proven correct, and those who have opposed my assessment, over that interval of time, have been systemically wrong.

The crucial point about those systemic implications, is that unless my remedies are adopted as a reform now, the entire world monetary-financial system has now reached the point of inevitable ongoing disintegration, that there is no hope for civilization unless my corrective measures, as I have proposed, will either be adopted, our civilization as we have known it, is doomed for generations yet to come.

My personal role in this is crucial. Very few persons in today's society develop as independent of the crucially determining features of a controlled culture shared by most of the victims of a contemporary society. Only a maverick, almost from birth, develops the stamina to become the kind of leader who can resist the corrupting influences characteristic of even the relatively best representatives of a generation dominated by a defective culture, such as that shaped by the implications of the Congress for Cultural Freedom which dominated the world-outlook expressed by the children of the post-war

births of the U.S.A. and European generations. For me, these distinctions are very clear, since I have known them intimately from experience of an entire lifetime. On this account, my intellectual gifts, and corresponding responsibilities, have been relatively unique.

In a rational world, my warnings would have been received in good faith. Since I broke through the electrical fences used to control the human cattle of our university faculties and others, my warnings were brushed aside, hysterically, out of cowardly fear of the minders of the electrical fences. But, this is not a rational world; ours is not, predominantly, a rational population, either in the Americas, or western Europe, for example. Only a few of us, who are exceptional survivors, in Europe and the U.S.A., of the experience of the war-time young-adult generation, are likely to understand what is wrong with our culture, and our ruling elites, today.

For those among my generation, who understand the leading generation in power today, there are three classes of pathological mental cases which, on account of, chiefly, electrical fences, will tend to continue, even tragically, to refuse that assessment.

First, the evil ones: who will cling to the present system, no matter how many nations and their populations will be mass-murdered in the attempt to "save the present monetary-financial system."

Second, the hysterical fools, who will simply deny, with screaming, howling, and kindred forms of logic, that such an eventuality exists. "No, no, no! The change we made in the leading edges of popular culture during the past forty years were right!" The Republicans' typical Ohio evangelical voters, who apparently will cling to: "No, no, no: We will refuse to listen to you, no matter what happens! We have faith in President Bush's recovery, all the way!"

Third, the academically and otherwise certified lunatics, including the fascist international fanatics associated with Spain's Blas Piñar and Italy's Alessandra Mussolini, and Fernando Quijano, who admit the fact of the collapse, but cling to some wild-eyed, fascist fantasy of their own.

Now, if my advice is refused, the people of the U.S.A., leaders, followers, and anarchists, alike, may therefore enjoy reading what I have just said, as their own collective epitaph. It is the very minimum I could have done for them, in that case.

In the alternative, everything I have continued to be "bet," my life included, on the alternative which I have followed these past decades, however difficult, at times, the achievement of that objective may seem. You who believe in the Creator, you will show that by seeming to risk everything for what must be done, as I have done. There is no other option available to those who know, like the Schiller characters of the Ruetli oath, that they "can not take it with you."

Join me, to win. Give up your "Baby Boomer" and other generational delusions. That is your only chance. That is our only chance.

Argentina: Center of Global Economic Battle

by Cynthia R. Rush

Argentina is once again in the center of the strategic battle for the continued survival of sovereign nation-states. As the dollar's downward spiral accelerates along with the disintegration of the global monetary system, London and Wall Street-based financial oligarchs fear that President Néstor Kirchner's resistance to the insane demands of the International Monetary Fund (IMF) and its vulture fund allies, could inspire other debtors to act similarly and bring down the whole rotten mess.

Kirchner has waged a principled, albeit rearguard battle against the IMF and the Anglo-American financial mafia, refusing to allow a repeat of the looting of the country which these interests carried out so savagely in the decade of the 1990s. Exemplary was his response to threats made Nov. 17 by Jack Boorman, an adviser to IMF Managing Director Rodrigo Rato, who told a London conference of the Institute for International Finance (IIF) that the Fund should cease lending to Argentina, unless it bends to the speculative vulture funds' usurious terms on the restructuring of \$82 billion in defaulted debt.

The Fund "should stop lecturing us," Kirchner said from the province of San Juan Nov. 28. "We've seen what their help does here in Argentina; we saw how [they] backed projects and bad governments that led to Argentina's destruction" in the 1990s. Speaking Nov. 27 from the city of Trelew in the province of Chubut, Kirchner affirmed that "what happened here in the past decade will not happen again—when our Argentina was filled with poor and indigent unemployed, our national businesses bankrupted, and all our great banners of national development [trampled] on the ground."

The government is fighting on the issue of the country's foreign debt, and wants to come to a reasonable agreement on the restructuring, he said. But it will not accept the conditionalities or the terms that some demand, he warned. "Argentina will no longer crawl—we will make an agreement, but defending the country's interests as we should." The nation will "never again accept impositions or models that have nothing to do" with national interests.

Just prior to his Chubut trip, Kirchner underscored that point by authorizing an extra 200 peso (about \$70) pension bonus for 3.3 million retirees, to be added on to their regular

pension payment, plus a half-year bonus in December. Another 2 million recipients of family subsidies for the poor and unemployed will receive an additional 75-peso payment at the same time. In addition, the government announced a 50% increase, retroactive to Oct. 1, in the subsidy granted to families for each child, including prenatal care and grants for disabled children.

Not exactly what the vulture funds ordered!

Predators' Thuggery

In an hysterical Nov. 24 editorial, London's *Financial Times* demanded immediate reprisals against Kirchner for refusing to submit to the City of London interests for which that daily speaks. "Argentina's behavior is setting dangerous precedents for future default situations," it shrieked. The government's "tough" stance has "succeeded in showing the world that sovereign borrowers are far from powerless in their dealings with private creditors." Such an attitude "is unacceptable," the *Financial Times* fumed.

The editorial argued that the IMF should cease lending to Argentina, even were that to cause the country to default again. "So be it," the daily stated. "The Fund's credibility is at stake, and the U.S. Treasury must this time stand behind it." Other emerging markets must not be swayed by Argentina. They must know that playing "by the rules" won't put them at a disadvantage "compared with the likes of Argentina."

It is the vultures' desperation over Argentina's refusal to "crawl," that was behind the crude mid-November disruption of the government's debt restructuring program. On Nov. 19, citing "technical reasons," the Bank of New York suddenly withdrew as the government's agent in charge of managing the U.S. side of the program's complicated bond swap that was scheduled to officially begin ten days later, on Nov. 29.

At the same time, Italy's securities commission, the Milan-based Consob, also announced a delay in launching the swap in that country, until at least mid-December. Without a U.S. agent, Argentina's timetable was in disarray. It had expected to complete the debt restructuring process by early January, and then restart stalled negotiations with the IMF for a new agreement shortly thereafter. Attempting to coordinate the swap from Buenos Aires alone was deemed untenable.

The launching of the restructuring plan has now been moved back to Jan. 17, 2005 and negotiations with the Fund are thus delayed until at least March. The previous agreement with the IMF included provisions for it to reimburse Argentina for every payment made. Because that agreement had been suspended last August, all payments have come out of Central Bank reserves without reimbursement. The government has almost \$2 billion coming due to the Fund in the first quarter of 2005.

The message in the bankers' sabotage of the restructuring

is that unless the Argentines offer more money to foreign bondholders—much more than the 70% writedown the restructuring plan currently allows—the country will forever remain a pariah, never permitted back into the good graces of the world financial community, bereft of credit and investment.

Restructuring Offer ‘Unalterable’

Somehow the threat of not being allowed to embrace a corpse didn’t seem to daunt President Kirchner or Finance Minister Roberto Lavagna. Noting that the Bank of New York pullout had nothing to do with “technical reasons,” both men identified the vulture funds and their frontmen, including the IMF and governments of the Group of Seven industrialized nations, as the leading figures in this attempt to break Argentina’s resistance to usury.

On Nov. 20, Lavagna warned that those who reject Argentina’s debt restructuring “could find themselves in a default situation, perhaps indefinitely.” He then pointed to specific individuals he said were behind the crass move. He named Charles Dallara, President of the Institute for International Finance, the bankers’ cartel which has been bludgeoning Argentina for months to stop “cheating” them out of larger debt repayments; Citigroup’s William Rhodes, who is also an Institute for International Finance Vice Chairman; and the International Monetary Fund’s former Managing Director Jacques Delarosière, now associated with the Banque de France.

Kirchner went further. On Nov. 26, speaking from Puerto Madryn in Chubut, he accused Italian Prime Minister Silvio Berlusconi and that nation’s banks of acting openly against Argentina’s restructuring efforts. “Compare the Italian government’s attitude on the debt restructuring with ours,” Kirchner said, “when we opened our hearts and arms to the Italians during [that country’s] darkest hours. It pains us, and we expect it to rectify its attitude.” As for the Italian banks, they knew that Argentina’s debt bonds were “insolvent,” but went ahead and sold them anyway to the “beloved Italian retirees, cheating them. They should take responsibility for what they have done.”

It didn’t escape the attention of the Italian government that some days prior to these remarks, Berlusconi’s opponent, former Prime Minister Massimo D’Alema, had been warmly welcomed in Argentina. D’Alema publicly concurred with Kirchner that the Italian banks were the principal culprits on the Italian side of the crisis. The impact of Kirchner’s remarks was such that Italy’s Ambassador in Buenos Aires, Roberto Nigido, rushed in to meet with Foreign Minister Rafael Bielsa on Nov. 27 to express his “surprise and bitterness” over what the President had said.

If Nigido were expecting an apology, he didn’t get it. Instead, Bielsa elaborated on the President’s charges, presenting evidence of how the Italian government had interfered with planned meetings between Argentine and Italian legisla-

tors scheduled for November. One of these meetings was reportedly to have backed a bill in the Italian Parliament which, for the first time, would have introduced the concept of “co-responsibility of Italian banks” as well as some mechanism of compensating pensioners and other small investors who lost money as a result of Argentina’s default.

In a message to those G-7 leaders who have tried to bludgeon Argentina into obedience, Kirchner again spoke on the issue of debt restructuring to an audience in San Juan on Nov. 29: “Let’s be clear about our options, and there aren’t many. There’s the option of applying methodologies of the past, and condemning millions of Argentines to exclusion; or there’s the option of negotiating with dignity and firmness to continue turning around our country’s reality . . . In this case, your President, who is speaking to you, chooses the option of negotiating with dignity, with firmness, but *first* comes Argentina. *First* comes Argentina!”

“We shall move forward in restructuring the debt,” Kirchner said, “give or take a day, with more time, less time. The offer we made is absolutely unchangeable. *That* is the offer, with *that* writedown, and let it be absolutely clear—with whatever obstacles they place in our way, it will not be altered.”

There Must Be an End to Usury

In the midst of the relentless assault on its right to exist as a nation, Argentina received extraordinary support from the Vatican’s Justice and Peace Commission, whose president, Cardinal Renato Martino, intervened on its behalf during a Nov. 24-25 visit to the country.

In a Nov. 24 press release, as well as in a public conference and a speech to the Buenos Aires Legislature, Cardinal Martino expounded on his Commission’s just released “Compendium on the Social Doctrine of the Church,” which equates morality with economic development. He noted that in his Commission’s 1986 document, “At the Service of the Human Community: An Ethical Consideration of the International Debt,” it “was affirmed that the bulk of the debt seriously hurt the economies and living standards of developing countries.”

Certainly, he said, “there are differences among particular local situations; but the words of Pope John Paul II in the encyclical *Centesimus Annus* must be taken into account: We cannot demand that debt be paid through intolerable sacrifice.” He also noted that “the principle of co-responsibility of the institutions involved in various attempts to restructure the amount of the debt,” cannot be ignored.

In an incisive reference to Argentina, the Cardinal warned that “looking to the future, it would be healthy to apply the Catholic doctrine against usury, which takes on special relevance and timeliness, to the degree that it confirms the consequences of a predominantly financier-based economy. *At some point*,” he said, “*the debtor must cease to be a debtor*” (emphasis added).

Hans Tietmeyer's 'New Social Market-Economy Initiative'—Cui Bono?

by Elke Fimmen

In the present world financial crisis and the depression in the real economy, the simple question is: What comes first—the financial interests of the oligarchy, who want to overcome the crisis at the expense of the population, or the principle of the General Welfare, which obligates sovereign governments to care for the human beings entrusted to them?

The New Social Market-Economy Initiative (INSM) and the Citizens Assembly are among the organizations which call for the “radical reconstruction” of Germany against an economic policy oriented towards the General Welfare. Who hides behind these obviously financially well-endowed coalitions and their multifarious propaganda activities for the dissolution of Germany as an industrial nation, and the destruction of the once exemplary German social-state model (that is, a state concerned with the General Welfare of the population)?

We begin with the president of the board of trustees of the INSM, Hans Tietmeyer. As president of the Bundesbank during 1993-99, he played a decisive role in the passage of the wretched “stability criteria,” which set into motion in all of Europe a spiral of catastrophic fiscal austerity. And in the case of Argentina, Tietmeyer participated prominently in the debt collection policy of the International Monetary Fund (IMF), in the interests of the private creditors. In this way, this land, which was once the richest in Ibero-America, was plunged into misery. A similar fate awaits Germany and Europe, if the European Union’s present Maastricht Treaty austerity policy is continued.

An “Economic Cultural Revolution”—that is exactly what the INSM, which was founded in October 2000, demands, basing its argument on the “altered structural conditions of globalization.” The slogans of the INSM and its leading representative Tietmeyer are: “personal initiative, performance readiness, competition.” Under the altered conditions of financial globalization, a new variant of capitalism is needed—precisely the “new social market-economy.” But, there is no longer anything social about it. In reality, the INSM, under the guise of reform, is engaged in shattering the well-established German social and economic system.

For this purpose the INSM uses a list of propaganda slogans, which are religiously repeated: “Jettison unnecessary padding”; “break up firmly established structures in the economic and social system”; “concentration of the state on its

core competency”; or “job creation meets social criteria.” In this connection, there is no discussion of what kind of jobs these are, and under what conditions the workers must labor.

The creed of the INSM is “flexibility”—in respect to working hours, working conditions, and wages. “Bureaucratic obstacles” in work, social, and tariff regulations should be removed. “New freedom for private initiatives for citizens and businesses” should be created through “less bureaucracy.” Also, “more competition, more efficiency, and speed” must be aimed at in the area of education.

The INSM sees itself as a “platform overlapping departments and parties.” Officially, the INSM is supported by the managers associations of the metal and electrical industries, and additional leading economic associations. The INSM is “guided scientifically” by the Institute of German Economy in Cologne, a subsidiary of the employers’ association.

Hans Tietmeyer, as the president of the Board of Trustees of the INSM, does not tire in stressing, that the previous reforms in Germany do not suffice: In respect to health-care reforms, “more competition” is needed, which is directed against the public health insurance holder. Insurance for nursing care must be “supplemented by more capital provided by the user,” and the legally required pension insurance fund must be further privatized.

In the last “Ludwig Erhard Lecture” of the INSM in October 2004, Lord Ralf Dahrendorf, the congenial “enlightened neo-liberal,” spoke before 400 guests in the Berlin branch office of German Telekom. Dahrendorf, a member of the British House of Lords, proclaimed that the system of social security in Germany overcharges the tax payer and must be fundamentally reformed. For him, the “old social market-economy has become outdated.” In its place, the Lord offered empty words like “a high degree of individual choice and decision” for the citizen. Those many employees of Telekom, whose future pension rights are just becoming the subject of desperate searches for short-term liquidity by the Federal government, will ask themselves what these statements might mean for their future.

Parallels to the Early 1930s

The modus operandi and program of the INSM unfortunately remind one of the early 1930s, when the “liberal” Hjalmar Schacht organized the networks in German industry



Hans Tietmeyer is President of the Board of Trustees of the New Social Market-Economy Initiative, a propaganda arm for privatizing what has been the German government's role in regulating banking, health care, and social security, for example. Tietmeyer was President of the Bundesbank (Central Bank) in 1993-99, and became Vice President of the Bank for International Settlements, and a member of the advisory board of Lazard Frères Germany, in 2003.

and the financial world, which mobilized against the only way out of the economic depression—the Lautenbach Plan for expanding credit for industry, infrastructure, and jobs. Schacht and his supporters in Germany acted on behalf of their international sponsors, the financial circle around Montagu Norman of the Bank of England, and Franklin Roosevelt's opponents in America like the families of Morgan, Mellon, Harriman, and Prescott Bush—grandfather of the current American President.

Today we are faced with exactly the same alternatives: solving the world economic crisis through dirigistic policies by governments based on the principle of the General Welfare, or brutal austerity policies with the collapse of living standards. The latter will have the same political consequences now, as happened then under fascism.

Not entirely accidentally, among the self-proclaimed “ambassadors” of the INSM is one Prof. Arnulf Baring, who distinguished himself with his demands for “emergency decrees” in times of economic crisis, and wants to see the basic constitutional law changed accordingly.

A closer examination of the person and the activities of Hans Tietmeyer points to further unfortunate parallels between the present crisis situation and that of the early 1930s, which have been noticed even by former Chancellor Helmut Schmidt. In the Nov. 8, 1996 edition of *Die Zeit*, Schmidt published an “Open Letter to Hans Tietmeyer,” in which he wrote: “Did not the administration of the Reichsbank, your predecessors, already once before in 1930-31-32, plunge us into the misfortune of mass unemployment, with grave political consequences?”

From ‘Lambsdorff Paper’ to ‘Stability Pact’

Born in 1931 in Metelen, in the state of Westphalia, Tietmeyer first studied Catholic theology, and then economics and social sciences at the universities of Munster, Bonn, and Cologne. After his graduation in 1960, he worked first in Church administration. In 1962, Tietmeyer became an advisor in the Federal Economics Ministry. In 1967, he became the leader there of the Central Planning Department under Karl Schiller, who was then the Economics Minister, and finally, beginning 1973, leader of the Economic Policy Department. From 1977, Otto von Lambsdorff, who was then the Economics Minister, was a patron of Tietmeyer.

As co-author of the famous “Lambsdorff Paper” Tietmeyer played an essential part in the dissolution of the Social Democratic Party (SPD)-Free Democratic Party (FDP) government coalition under Chancellor Schmidt. In the Nov. 8, 1996 issue of *Die Zeit*, Schmidt characterized the neoliberal Lambsdorff Paper thus: “Lambsdorff wanted to turn away from the democratic social state [state concerned with the General Welfare] as intended by Article 20 of our basic constitutional law, and to turn toward a society in which each jabs the other with his elbow.”

This political economic “reprogramming” of Germany, in which Tietmeyer played an active part, took place at the same time as the economic and social shock therapy under Margaret Thatcher in England, and the deregulation of the U.S. economy during the time of Ronald Reagan’s government, immediately after the high-interest-rate shock of the U.S. Federal Reserve in 1979 under Paul Volcker. As Economics Minister from 1977-84, and afterwards as the Euro-



Nazi Economics Minister Hjalmar Schacht assembled the circle in German industry and finance which organized support for Hitler; they opposed the Lautenbach Plan, which could have revived the German economy and prevented the Nazi takeover.

pean president of the Trilateral Commission, Graf Lambsdorff distinguished himself by pushing ahead with monetarism and deregulation, and by combatting the social state and dirigism in Germany.

As State Secretary in the Federal Finance Ministry from 1982, Tietmeyer was responsible for the principal questions of finance and monetary policy, and for questions of the European Community. In 1988, there was a failed attempt on his life by the Red Army Faction, which was claimed to be because of his activity as a delegate to the IMF and World Bank. Finally, after 1989, Tietmeyer played a leading role in the negotiations for a unification treaty between the Federal Republic and East Germany. In 1990, he joined the board of directors of the German Bundesbank; in 1991, he became its vice-president. Then, from 1993-99, he was the president of the Bundesbank.

Europe of Banks and Cartels

Between 1990 and 1999, Tietmeyer played a decisive role in European Union (EU) politics, in the negotiations over, and implementation of, the Maastricht Treaty. Then-Chancellor Helmut Kohl was pressured to accept the Maastricht Treaty, with the public lead for this taken by French President François Mitterrand and the British, who told Kohl that they would not go along with early reunification of Germany unless Germany accepted Maastricht. The treaty, which was signed in February 1992, was in itself already bad enough, for it robbed Germany and the other European states of their sovereignty with respect to economic and financial policy to a great extent, and it would create a supranational “independent” European Central Bank.

Tietmeyer played a key role, along with then-Finance Minister Theo Waigel, in making the Maastricht Treaty even

worse, with the so-called Stability Pact of 1997. The Stability Pact stipulated that the total public indebtedness of a country could not be over 60% of the GDP and the annual domestic deficit not more than 3% of the GDP. These arbitrary conditions were established as a pre-condition for participation in the common euro currency.

Tietmeyer also wanted the political union of the European Union as quickly as possible, in order to be able to also effectively carry out the critical austerity measures made necessary by the stability criteria in the EU member nations. This objective is advanced today under the slogan “economic governance” of the EU. Ultimately, this involves nothing less than the creation of a supranational political decision-making authority for Europe, which would conclusively turn the sovereignty of the EU member-nations into waste paper. Ultimately, only the more powerful private financial and economic interests—in the name of acting according to “economic restraints”—would politically have a say, instead of representative governments of cooperating national states in the EU. This would then be the “post-modern EU Empire,” of which the British ideologue Robert Cooper is wont to dream.

Tietmeyer and Theo Waigel—who, incidentally, is active today as a lobbyist for the Swiss banks in Berlin—were especially interested in the “primacy of the independence” of the newly created European Central Bank (ECB), as well as the existing national central banks. The first ECB chief, Wim Duisenberg, made that very clear in his laudation for Tietmeyer and Waigel, when both were honored with the Hermann Ehlers Prize in 2003.

The supposed “independence” of the Central Bank is the decisive control mechanism for private financial interests, which historically in Europe has been installed as an authoritative instrument against an economic policy of sovereign governments oriented toward the General Welfare. Above all, the possibility of productive, non-inflationary credit creation by the state, which is firmly stated in the U.S. Constitution, was excluded by Maastricht as a method of determining of economic and financial policy.

Tietmeyer played a decisive role in the elaboration of the precept of the “independent” European Central Bank. While there is not a word in the basic constitutional law about the independence of the Bundesbank, the independence of the ECB is explicitly referred to through a supplement to the basic constitutional law in the 1990s.

Schmidt Attacks Tietmeyer

The Civil Rights Movement Solidarity party (BüSo), associated with Helga Zepp-LaRouche, from the beginning has vehemently rejected Maastricht and the Stability Pact, and exposed its geopolitical background and catastrophic economic consequences. Interestingly, Helmut Schmidt, although himself an energetic promoter of the introduction of the euro, has nonetheless sharply attacked the Stability Pact

and Hans Tietmeyer. Schmidt's already mentioned "Open Letter to Hans Tietmeyer" in *Die Zeit* on Nov. 8, 1996, is highly revealing from today's standpoint. The Maastrich Treaty deficit and debt criteria, which were arbitrary and never justified—but declared by Tietmeyer as "absolutely binding"—stood in clear opposition to the European Monetary Union (which had been supported by Schmidt), as well as to the mandate of the Bundesbank.

In his "Open Letter to Hans Tietmeyer," Schmidt pointed to Tietmeyer's responsibility for the destruction of the European Monetary System (EMS), which functioned well from 1979 until 1992. The Bundesbank, of which Tietmeyer had been a member of the Board of Directors since 1990, had followed a course of high interest rates after the monetary expansion policy following the reunification of Germany, but then had declined to agree to raising the deutschemark exchange rate in the EMS, which this monetary expansion had made necessary. Instead, the EMS was totally abandoned, in that the band-width for exchange-rate variations was extended around six-fold, to 5%. International speculators like George Soros did their part with speculative attacks aimed at the British pound and the Italian lira. With this, the EMS and its internationally acknowledged ECU unit of account effectively came to an end.

What Schmidt does not say, is that the targetted destruction of the EMS as a whole opened the door to the introduction of the supranational euro, and to the control by the supranational financial circles—by means of the "independent" European Central Bank—over the monetary and economic policy of the individual EU states.

Schmidt wrote that the Bundesbank is "not a state within a state," but rather, according to Paragraph 12 of the Bundesbank law, is obligated "to support the universal economic policy of the Federal government." The Bundesbank did the opposite: It constantly demanded cuts in the household and social budgets, and it brought the German economy into danger. Interestingly, Schmidt refers to the legal force of the stability and growth laws of 1967, which are also binding for the Bundesbank. The BüSo has always insisted that the responsibility to enforce the stability and growth laws should be applied.

Helmut Schmidt, back in 1996, maintained that the continuing high-interest-rate policy of the Bundesbank under Tietmeyer, and the ensuing international high value of the deutschemark, were primarily responsible for the increase in German labor costs. Schmidt identified these policies, instead of German labor production costs being too high, as some claimed, as the real reason for the debate initiated by some industrialists about "production costs being too high in Germany." Because of the continuing high-interest-rate policy of the Bundesbank under Tietmeyer, and the up-valuation of the deutschemark—forced through with the argument that the deutschemark was a "strong anchor currency"—"entire



Former West German Chancellor Helmut Schmidt wrote to Tietmeyer in 1996: "Did not the administration of the Reichsbank, your predecessors, already once before in 1930-31-32, plunge us into the misfortune of mass unemployment, with grave political consequences?"

branches of German industry had disappeared" and more and more jobs were transferred to eastern Europe and Asia. Schmidt ended with the aforementioned dramatic reference to the "deflationary ideology" of the early 1930s and its "grave political consequences."

The devastating deflationary policy of the Reichsbank in the early 1930s had been brought into operation by Reichsbank President Hjalmar Schacht, and was first changed at the end of 1932 under Chancellor von Schleicher—when it was already too late. Since 1930, Schacht had actively sabotaged the Lautenbach Plan after his resignation as Reichsbank president, and organized support for Hitler in German and Anglo-American economic and financial circles. After the 1933 seizure of power, Schacht became Hitler's Reichsbank president and Economics Minister.

In close cooperation with these Anglo-American financial circles, Schacht also played a key role in founding the Bank for International Settlements (BIS) in Basel, Switzerland, which officially began its activity in 1931. In the 1930s, and during the entire Second World War, the BIS was the international control center between the leading financial circles of fascist continental Europe and the Anglo-American financial oligarchy. Even after Schacht had stepped down from his positions as Reichsbank president and Economics Minister from 1937 to 1941, he was still active in the BIS. In the history of the 20th Century, the BIS played a prominent role as the international control center of synarchist financial circles.

Tietmeyer, the BIS, and Lazard Frères

Tietmeyer's career did not end with his resignation as Bundesbank president in 1999. We have already described his activities with the New Social Market-Economy Initiative. In March 2004, Tietmeyer also took over the chairmanship of the board of directors, and stockholders commission of Hauck & Aufhäuser Private Bankers, KGaA.

But more interesting is the fact that in June 2003, Tietmeyer was appointed vice president of the BIS. Obviously his experiences—from the “Lambsdorff Paper” to the “Stability Pact”—remained very much in demand among the

international financial elite.

In July 2003, Tietmeyer became a member of the advisory board of the investment firm Lazard Frères Germany, whose chief, John Kornblum, was a former U.S. Ambassador in Ger-

Who's Who in 'New Social Market-Economy Initiative'

Trustees

President: Prof. Dr. Hans Tietmeyer
Prof. Dr. Michael Hampe, director, producer, actor
Prof. Dr. Michael Hüther, Director, Member of the Presidency of the German Economics Institute (IDW), Cologne
Martin Kannegiesser, President, Metals Industry Employers Association
Oswald Metzger, Green party Financial Expert
Randolf Rodenstock, Chairman, AR Rodenstock GmbH
Dr. Hans-Dietrich Winkhaus, President, German Economics Institute (IDW), Cologne

Ambassadors

Prof. Dr. Hans-Wolfgang Arndt, Dean, Mannheim University
Dr. Hans D. Barbier, economics publicist; Chairman, Ludwig Erhard Foundation, Bonn
Prof. Dr. Arnulf Baring, political scientist, historian, publicist
Prof. Roland Berger, international business advisor
Prof. Dr. Christoph Burmann, Foundation Professor of General Business Administration, specializing in Innovative Brand Management, Bremen University
Prof. Dr. Jürgen B. Donges, Professor of Political Sciences, Cologne University; Director, Institute for Economic Policy
Dominique Döttling, Executive Partner, Döttling & Partner Beratungsges, MbH, Uhingen
Marie-Luise Dött, Member of Federal Parliament (Christian Democratic Union); Chairwoman, Federation of Catholic Businessmen (BKU)
Prof. Dr. Johann Eekhoff, State Secretary (ret.); Political-Economic Seminar, Cologne University
Dr. Michael Eilfort, Board of Directors, Market Economy Foundation/Frankfurt Institute
Dr. Habil Lüder Gerken, Board of Directors, Friedrich August von Hayek Foundation

Prof. Dr. Peter Glotz, Professor of Media and Society, St. Gallen University

Prof. Dr. Paul Kirchhof, Professor of Civil Law, Ruprecht Karls University, Heidelberg

Dr. Silvana Koch-Mehring, Member, European Parliament and National Board of the Free Democratic Party (FDP); Chairman, FDP European External Group, Brussels

Siegmar Mosdorf, Parliamentary State Secretary (ret.)

Dr. Arend Oetker, businessman, President, Founders Federation of German Science; Vice President, German Federation of Industries (BDI)

Prof. Dr. Karl-Heinz Paque, Finance Minister, Saxony-Anhalt; Deputy State Chairman, Saxony-Anhalt FDP; member, FDP National Board

Prof. Dr. Rolf Peffekoven, Director, Institute of Financial Science, Johann Gutenberg University, Mainz

Arndt Rautenberg, Director of Corporate Strategy and Policy, Deutsche Telekom AG

Christine Scheel, Chairwoman, Federal Parliament Finance Committee; Financial Policy Spokeswoman, Alliance 90/Greens Parliamentary Group

Prof. Dr.-Ing. Dagmar Schipanski, President (Christian Democratic Union), Thuringia State Parliament

Dr. Nikolaus Schweickart, Chairman of the Board, Altana AG

Prof. Dr. hc. Lothar Spaeth, Honorary Chairman, Jenoptik AG

Erwin Staudt, President, VfB Stuttgart (soccer club)

Prof. Dr. Ulrich van Suntum, Director, Münster Center for Applied Economic Research (CAWM), Münster University

Carl-Ludwig Thiele, Member of Federal Parliament (FDP); Deputy Chairman, Federal Parliament Finance Committee

Gunnar Uldall, Hamburg State Senator (Christian Democratic Union); Chairman, Hamburg Economic Council

Supporters

Ulrich Dietz, Chairman of the Board, GFT AG

Florian Gerster, former Chairman, Federal Unemployment Office

Jennifer Neumann, Chairman of the Board, Canto AG

Eva Mayr-Stihl, Deputy Chairman of the Board, Andreas Stihl AG & Co., Waiblingen

many. Lazard Frères is one of the most important international investment houses, and has become number one in Europe in the lucrative field of arranging the merger and takeover of firms. In the 1930s and 1940s, Lazard Frères played an important role alongside Bank Worms in the synarchist movement of the leading financial circles of a Europe dominated by fascism.

Nowadays, Lazard Frères is portrayed as carrying out noteworthy activities in Germany. At the beginning of this year, it appeared in the headlines, when it was commissioned by the almost bankrupt city of Stralsund, to create the conditions for the sale of the city savings bank. This was a pilot project for the privatization of the public bank sector in Germany. Evidently they wanted to create a precedent to overturn the role of government in the banking sector of Germany. Fortunately the privatization of the Stralsund Savings Bank was averted for the moment, because of massive public protests.

Nevertheless, similar initiatives have reappeared everywhere, as in the case of the Christian Democratic Union (CDU) in Northrhine-Westphalia, which recently suggested the privatization of the savings bank. Is there perhaps a connection to Hans Tietmeyer here? Since 2000, Tietmeyer has been president of the European Center for Financial Services at the University of Duisburg, which is part of the Society for the Promotion of Credit and Monetary Research Centers, on whose Board of Trustees sit high-ranking representatives of the North Rhine-Westphalia Savings Bank and Clearing House.

The Lazard Frères financial house also became involved in the issue of the Argentine debt negotiations. And Tietmeyer was active here also. Since July 2002, he was a member of an Expert Commission advising the IMF on the Argentine financial situation. In September 2002, Tietmeyer coolly declared in an interview with “Welt Online” after his return from Argentina: “Argentina has slipped down into meaninglessness—and indeed has encumbered itself with debts, probably forever.” Of course, he emphasized the necessity of an “independent” central bank in Argentina.

In May 2003, the German Defense Union for Bond Holdings e.V. reported on an Irish association, the Argentine Bond Restructuring Agency PLC (ABRA), which collected the Argentine loans of private investors and was supposed to issue certificates in exchange for them. The exchange process was supervised by an “international specialist committee under the leadership of Hans Tietmeyer.”

Earlier, in 1982, Tietmeyer had worked on a similar project. At that time he took part in the “solution” to the Mexican debt crisis, representing the Federal Economics Ministry, and the Federal Republic of Germany, to the Organization for Economic Cooperation and Development (OECD). After discussions with the then-President of Mexico, José López Portillo, Lyndon LaRouche had in 1982 elaborated his “Operation Juárez” plan. The plan first provided for a debt moratorium

for Mexico and other highly indebted developing nations. Second, the debt issue was to be used as a lever, in order to bring about a reform of the world financial and economic system towards a new, just world economic order. López Portillo began implementing the defensive measures proposed by LaRouche—moratorium and capital exchange controls—but was isolated because of massive pressure brought to bear by the international financial institutions upon Mexico and the other Ibero-American nations, and was forced to abandon the effort. Thus the very real chance for a new, just world economic order was ruined. Since then, the crisis of the world economy and the over-indebtedness problem have become far worse with every passing year.

Economy and Morality

In the present collapse phase of the global financial system, and the depression in the productive economy, the simple question is: What comes first—the oligarchical financial interests, or the principle of the General Welfare, the responsibility of sovereign governments to care for the human beings entrusted to them?

The General Welfare principle is the basis of Catholic Social Doctrine, as it is represented especially by Pope John Paul II. It is a scandal, then, that Hans Tietmeyer was named a member of the Papal Academy of Sciences in 1992, despite his neo-liberal ideology, which is fundamentally in opposition to Catholic Social Doctrine. It can only be explained by the influence of powerful financial interests and the old oligarchical families within the Roman Curia.

At that time, the name of Lyndon LaRouche, an economic scientist and fighter for a new, just world economic order, was also proposed for membership in the Papal Academy of Sciences. This was prevented by the same forces which pushed Tietmeyer into the Papal Academy. Since then, the economic and social condition of the majority of mankind has become for worse. In the face of sinking living standards and mass unemployment, the synarchist financial oligarchy is preparing to carry out the option of a new fascism. It is high time that the principle of the General Welfare in the sense of a new, just world economic order, be carried out instead. That is what the BüSo in Germany, together with the international LaRouche movement, is fighting for.

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'We're Cutting Ourselves to Death'

Remarks by a former senior government official underline the many missed opportunities, since the Berlin Wall fell in 1989.

At a seminar of the Green Party's Heinrich-Boell Stiftung, in Frankfurt on Nov. 27, Albrecht Müller, former senior official of German governments from the late 1960s on, and for several years the head of the Chancellory planning staff under Chancellor Helmut Schmidt, lambasted the current obsession with budget-cutting as "insanity. . . . We're cutting ourselves to death."

The French, Müller said, have increased public spending in select areas during the past few years, to stimulate production growth and consumption; but German governments since that of Chancellor Helmut Kohl, which began in October 1982, have added one budget cut after another, each of them making things worse.

I asked Müller why, in this current crisis, the mid-1960s Stability Law, which would enable the government to intervene, is not being used, instead of the European Union's disastrous Maastricht "Stability Pact." Müller replied that the Social Democrats as well as the Greens are followers of neo-liberalism; they don't like such laws, which for them are the Keynesian enemy of free-market ideology.

He singled out Hans Tietmeyer, the former central bank governor, as a key figure in the change of belief structures in Germany, during the 1980s and 1990s, saying that Tietmeyer's leading position in the Initiative for a New Social Market Economy propaganda machine (see preceding article), reflects that role. Müller added that the big chance to modernize and reconstruct the eastern German economy in the process of the reunification after 1989, was ruined by Tietmeyer's high-

interest-rate policy at the central bank, which killed all potential for reconstruction.

Müller's remarks serve to recall what the original designs for the future Germany were, when the Berlin Wall and the East German regime came down in Autumn 1989 (see *Feature*). Put under maximum pressure by the Allied powers (France, Britain, the Soviet Union, and the United States), the German elites were forced to accept numerous conditionalities, in exchange for agreement to reunification.

The assassination of Deutsche Bank Chairman Alfred Herrhausen on Nov. 30, 1989, removed the last gifted thinker among the bankers of Germany, who was capable of alternate designs to monetarist scripts for the reunified Germany and Europe, and Germany was pushed back to monetarist dogma.

But there still were leading individuals who revolted against these conditionalities, one of them being Detlev Rohwedder, who in late 1990 took over the chair at the Treuhand Agency, an institution created in July 1990 to transform the eastern German state-run industry.

The overall orientation for Rohwedder was, naturally, a policy of privatization and deregulation, but his own view was to preserve as much of the industrial production potential of eastern Germany as possible, especially its workforce. Unlike those who called for scrapping all eastern German economic ties to Russia and other eastern countries, Rohwedder thought that exactly these ties, developed during 40 years of post-war history, were

a bonus for the reunified Germany and for the Soviet Union.

The huge eastern German refinery complex in the "chemical triangle," Halle-Bitterfeld-Leuna, with about 60,000 industrial workers, and another 250,000 industrial jobs in related chemical production centers of eastern Germany, would have survived, in Rohwedder's design, and become the stepping-stone toward broader and deeper petrochemical cooperation with Russia and the other republics of the Soviet Union. With that as a foundation, up to 1 million jobs in eastern German industry could have been preserved.

That design was brutally destroyed, when Rohwedder was assassinated on April 1, 1991, and there was an abrupt change of policies under the new Treuhand head, Birgit Breuel, a radical privatizer and deregulator, who within only two years eliminated up to 3 million industrial jobs in eastern Germany.

This process was accelerated after the neo-liberal coup in Moscow, in August 1991, which meant the end of traditional industrial ties between the Soviet Union and eastern Germany and led to very sad scenes all over Germany's eastern regions, where ships, rail cars, harvesting machines, and other equipment lay idle, having been ordered by Russia before 1991, but never having been paid for.

The new Russian oligarchs who emerged, after 1991, were no longer interested in industrial cooperation with Germany, but only in big Western loans, part of which they used for take-overs of state-sector industries to build their own new empires, and in speculative financial operations. German banks also played a role in that—against the interests of German industry. To this day, the potential of German-Russian cooperation has remained largely untapped.

Unmasking the Secret War By the ‘Economic Hit Men’

by Helga Zepp-LaRouche

The book is a thunderbolt: John Perkins, scion of a well-known family of the American East Coast Establishment, tells the secrets, in his just-published *Confessions of an Economic Hit Man*, of the “tool-box” of the international financial oligarchy—how above all, the developing countries are kept under the *diktat* of the International Monetary Fund (IMF), World Bank, and private financial interests, through an entire repertoire of economic blackmail, the use of murder-for-hire, and finally, war.

But the *modus operandi* described also fits an entire series of unexplained murders in Europe: from Enrico Mattei, Aldo Moro, Jürgen Ponto, and Alfred Herrhausen, to Detlev Karsten Rohwedder, to name only a few. The bombshell is, that Perkins explains that he made the decision to unmask himself as such an “economic hit-man” (EHM, as he refers to the insider slang), because he came to the conclusion that this decades-long practice had finally resulted in the events of Sept. 11, 2001. And he openly warns that more such events are on the agenda.

The publication of this book is part of an unprecedented revolt of a large part of the American security services, military, civil services, and diplomats, who are more and more convinced that a continuation of the Bush/Cheney policies will lead to the downfall of the United States. The two most important spheres in which the complete wreck of the Bush Administration’s policy is obvious, are the out-of-control results of the war in Iraq, and still more fundamentally, the reality that the dollar-based world financial system is on the way to collapse with thunderous force.

Panic is spreading: Heinz Brestel, in the economics section of the *Frankfurter Allgemeine Zeitung*, speaks of the dollar standing at \$1.60 to the euro soon; Lord William Rees-Mogg writes in the London *Times* that the “avalanche” [of the dollar collapse] is about to break loose. The Italian banker

and former government minister Paolo Savona warns of a threatening “Hiroshima” of the financial system; and the chief economist of the Morgan Stanley investment bank, Stephen Roach, sees the world at the brink of an financial “Armageddon.” This astonishing wealth of metaphors for the collapse does not indicate that these gentlemen have suddenly discovered their poetical vein, but that the scales are falling from the eyes of even the most hardbitten advocates of globalization: The system is at an end, completely, and now.

Signs Herald the Storm

The dollar falls and falls; the capital flow which was necessary to hold off the collapse threatened by the U.S. deficits, is simply no longer there; the oil price stands at about \$50 again, twice as high as would be “price-neutral” for the economy given worldwide inflation. The gold price has broken through the \$450 mark; raw materials are now the favorites of mega-speculators; Russia has already begun to change its portfolio and liquidate some of its former dollar reserves; other Asian countries will follow. One only has to consider the simultaneity of all these developments to understand: Everything is breaking down. And all those who necessarily know this are driven by anxiety: Now only a small further incident is needed, and the whole system will explode.

Perkins, in his book, underlines the point that these policies carried out by the “economic hit men,” led to the attacks of Sept. 11. He says this without more detailed explanation, and without explicit reference to Lyndon LaRouche’s analysis, that these attacks were only possible with the active collaboration of elements of the American security services, and stood in the direct tradition of Goebbels’ Reichstag Fire.

The current systemic crisis is, nonetheless, the result of a policy of making one “Third World” country after another the target of the economic hit men, and compelling their gov-



Helga Zepp-LaRouche shows the connection of the “Economic Hit Men” exposed by John Perkins’ new book, to the assassination of Deutsche Bank Chairman Alfred Herrhausen on Nov. 30, 1989. Here, Mrs. LaRouche marches in Berlin in October 1989, before the fall of the Berlin Wall.

ernments to overload themselves with debt, to the advantage of the building of an Anglo-American empire in the tradition of Venice and the Anglo-Dutch imperial system, and of the financial interests of firms like Bechtel and Halliburton; and thereby to fall under the orders of the IMF.

For these perplexed and confounded nations, this policy was a catastrophe, as one can see immediately from the example of the IMF’s “model students” Argentina or Poland. The political leaders of the developing countries were faced with the choice, either to make themselves flunkies of the Anglo-American empire, and act against the interests of their own population; or, sooner or later to be overthrown. This policy has driven the world economy into ruin for the benefit of a few speculators.

Thus Perkins’ book is so explosive, because it is written by a high-ranking insider, who finally blames himself through this self-exposure. But it simply corresponds to the most specific experience of our movement over the past 30 years. A veteran team of experts of the LaRouche movement in the United States and Europe is now occupied in comparing the facts enumerated by Perkins, with conditions and affairs already known to us, and in researching further background material. And this much can already be said: There are, above all in the developing nations, a very large number of contemporary witnesses who can confirm what he confesses.

So, for example, Indira Gandhi was once visited by an American representative, who brought her the message that 70 (!) American businessmen who had investment contracts of \$30 billion to offer, would come to New Delhi if she would

agree within a few hours to take an IMF credit of \$30 billion. Mrs. Gandhi received the representative the following morning in her Parliamentary office and denied his offer with the argument that she had just, with difficulty, repaid a credit of \$2 billion, and saw no possibility of letting this “business” in. An Indian witness to the events commented: “She paid with her life for this refusal.”

But whoever says, coups and murder of leaders of the so-called Third World are “nothing special,” should wake up fast. For the same policy which Perkins shows is responsible for inducing the over-indebtedness of the developing sector and the murder of Omar Torrijos in Panama and Jaime Roldós in Ecuador—and according to our best intelligence, for the murder of Salvador Allende in Chile, Ali Bhutto in Pakistan, and others—is also to blame for the economic catastrophe in Germany and all of Europe, and for the circumstance that our youth, much like those of America, are the “no-future generation,” if the financial oligarchy is not defeated. In other words, the politics of the “economic hit men” hits us also.

In This Section

In last week’s *EIR*, Lyndon H. LaRouche, Jr. launched a new flanking attack against George Shultz’s fascist “Vulcan” apparatus in and around the Bush Administration. The initiative was sparked by the publication of John Perkins’ bestselling book, *Confessions of an Economic Hit Man*. LaRouche’s analysis of the book, titled “The Follies of the Economic Hitmen: Re-Animating the World’s Economy,” appeared last week, along with a case study of the Nuclear Club of Wall Street’s 1970s-’80s attack on LaRouche’s Fusion Energy Foundation.

In this issue, we feature Helga Zepp-LaRouche’s report on the role of the Economic Hit Men (EHMs) in destroying Germany and Eastern Europe after the fall of the Berlin Wall in 1989; a chronology of key inflection points from 1971 to 1991; a profile of EHM controller George Shultz; a review of Perkins’ book; and an interview with the author.

Future issues will look deeper into the EHM assault against the Third World, including around the issue of prohibiting the development of nuclear energy.

The Murder of Alfred Herrhausen

The two political economy-motivated murders which, more than all others, set the stage for this catastrophe, in which the German economy for 15 years has been destroyed in both East and West, were the killings of Alfred Herrhausen on Nov. 30, 1989 and Detlev Rohwedder on April 21, 1991.

In a manner similar to John Perkins today, during the 1990s the former high-ranking Pentagon official Fletcher Prouty, in an interview with the Italian publication *Unità*, said that the murders of Herrhausen, John F. Kennedy, Aldo Moro, Enrico Mattei, and Olof Palme were all the consequences of the fact that they did not want to subjugate themselves, one by one, to be minor consuls of the ruling *pax universalis*.

In another statement, Prouty compared the meaning of the killing of Herrhausen with that of J.F. Kennedy:

His death at that moment in time . . . , the astonishing circumstances of his death . . . recalls the 1963 murder of President Kennedy. . . . If one thinks of the larger meaning of the events in the Soviet Union, in Eastern Europe, and above all in Germany, then the assassination of Herrhausen is of a monstrous significance. We should not let this be swept under the rug. . . .

Real terrorists do not kill the president of a bank without a special reason. Most terrorists are paid agents and instruments of larger power centers. A certain such power center wanted, for a certain reason, the leading spokesman of the Deutschebank, on this day and in this manner, eliminated, in order to teach a lesson to others. Thus, there was a message in the way and manner in which he was brought down.

Prouty said that the key to the explanation lay in 11 pages of a speech, which Herrhausen was to have given one week later in New York, on Dec. 4, 1989, before the American Council on Germany, and which would now go ungiven. In this speech, Herrhausen was to have laid out his vision of the new organization of East-West relations, which would have steered history after 1989 into a dramatically different course. Herrhausen, at that time, was the only banker whose proposals for the development of Poland as a model for the other Comecon nations, according to the model of the Kreditanstalt für Wiederaufbau, went in the same direction as the ideas of Lyndon LaRouche.

Let us recall the dramatic events of Autumn 1989: On Nov. 9, the Berlin Wall came down; in documentation later made public, the Federal government admitted that it had not had the slightest plans for the unforeseen eventuality of German reunification. On Nov. 28, Helmut Kohl took the only sovereign step of his entire time in office. He proposed the ten-point program for the formation of a confederation of both German states, and indeed, without consultation with the Allied Powers or his coalition partner, the Free Democratic Party (FDP). Two days later, on Nov. 30, Herrhausen was assassinated by the so-called Third Generation of the



Deutsche Bank Chairman Alfred Herrhausen was killed a week before he planned to give a speech in New York, laying out a plan for the economic development of Poland—the opposite of what the “Economic Hit Men” had in store for eastern Europe.

RAF, whose existence was described in an ARD TV broadcast as “Phantom.” This “Phantom” then appeared once more in the assassination of Rohwedder, and has since then vanished into thin air.

At that time, Lyndon LaRouche and his organization proposed a similar, yet more far-reaching concept than Herrhausen, the program of the “Productive Triangle Paris-Berlin-Vienna,” which could have become the motor for a massive infrastructural and economic development of the East. Leading representatives of industry told us at that time: “The state is now required, a program of such dimensions can only be guaranteed by the government!” Had this program been put into action at that time and the “fateful hour of mankind” of German reunification been utilized, there would have been an actual “construction of the East”; there would have been a “blossoming landscape,” and the East-West relationship would have been defined for the first time in the sense of a truly peaceful order.

As is well known, it occurred otherwise. The murder of Herrhausen as the only representative of the Establishment who dared to express a vision for the historical situation, was in fact the message to the government and industry, of which Colonel Prouty spoke. After that, no one dared any more to stick out his neck. Following the murderers, the would-be economic assassins now took up the plan once again, for example in the person of Jeffrey Sachs and other “reformers,” who called for the economic dismantling of the East in favor of the speculators of the financial oligarchy. In December 1989, Chancellor Helmut Kohl experienced the “blackest hours of his life” at the EU-Summit in Strassburg, by which he meant, he had to submit to the dictate of the financial oligarchy in the form of the proposed European Monetary Union. The Maastricht Treaty, the Stability Pact, the euro instead of the D-mark, and economic dismantling were the consequences for the new Federal states.

And Detlev Rohwedder

There was yet another leading industry representative, who had far-reaching visions for the development of Germany: Detlev Rohwedder. As head of the Treuhand, he was in charge of the transformation of publicly owned businesses

in eastern Germany. In 1990-91, he came to the conclusion, that a reckless privatization of the real-economic—and still completely useful—industrial firms would have unacceptable social consequences. Therefore, he resolved, in the first months of 1991, to change the concept of the Treuhand into “first restoration, then privatization”—always with a view to the social effects. This was the moment, when the Phantom-RAF struck again. His successor at the Treuhand, Birgit Breuel, the daughter of a banker from Hamburg, did not have the same scruples as he did: Under her leadership severe privatization took its free course.

Why did both of these men have to die? Were they the symbolic figures of the “fascist capital structure,” of which the “RAF” speaks in its statement taking credit for the Herrhausen assassination? On the contrary: Both commit the mortal sin against the system of the financial oligarchy by expressing moral misgivings regarding the consequences of this policy. Thus, in his book *Alfred Herrhausen, Power, Politics and Morality*, Dieter Balkhausen describes how Herrhausen, already in 1987 at the funeral of his fellow board member Werner Blessing, expressed the view that the debt crisis of the Third World could no longer be met with silence. A discussion with President Miguel de la Madrid in Mexico about the debt crisis of the developing nations had effected him deeply, and he began to think about partial debt relief.

Balkhausen reports further, that during the Evangelical Church Conference there had been a discussion about why the international banks, up until 1987, had made available to the semi- or under-developed states the gigantic sum of \$1.2 billion, whereas they otherwise cut off credit lines with a “explosive harshness” and auctioned off the houses of the poorer classes. Perkins’ revelation, that the EHMs had the task of luring the developing nations into the condition of indebtedness, in order then to be able to exploit them the more mercilessly, provides the answer to this apparent contradiction.

In a television broadcast on “Arte” on Nov. 18, 2002, a Catholic priest who was a friend of Herrhausen’s, reported that Herrhausen had come to the conclusion that a system, in which a few make a very high profit from the economy, while it crushes many others, cannot endure. Herrhausen struggled with the idea, that he perhaps had protected something, which he should not have protected, did not want to protect, and morally was not permitted to protect. With that, Herrhausen committed a mistake in the eyes of the financial oligarchy, which was to cost him his life: He came to the idea, that the economy had something to do with morality and with the image of humanity.

I still remember very well a dinner discussion during the 1980s with a private banker, who found my husband’s analysis fascinating and had repeatedly invited him to give lectures before an important circle. When it finally arrived at the point in the conversation, that we insisted that the image of man as a cognitive being must stand at the center of any economic policy, and the morality underlying the economic system



Detlev Rohwedder headed the Treuhand agency, charged with overseeing the transformation of former Communist industry in eastern Germany. He was assassinated in 1991.

must be derived from this, the pupils in the banker’s eyes began a wild dance. After that he abruptly ended all contact. Morality in economic policy? No, “explosively harsh” profit-seeking in the system of the free market economy, even though it destroys the entire continent—and then at best, the wife may support humanitarian organizations, as a fig-leaf, so to speak.

When, on Nov. 28, 1989, Herrhausen proposed a profound structural change to the board of his bank, which reflected his thoughts about the debt crisis of the developing nations, he encountered violent resistance, as the former head of the Deutsche Bank, Rolf Breuer, reported. Mrs. Herrhausen explained that her husband had come back “severely depressed” from the meeting of the bank, which turned out to be his last. And in the morning before the assassination Herrhausen told his wife; “I do not know, whether that will be the death of me.”

Besides the book by John Perkins, there is yet another very cogent reason to reopen the circumstances surrounding the murder of Herrhausen. Today we are confronted with the rapidly collapsing world financial system. And in this situation, Herrhausen had proposed and taken up certain measures, in order to prevent damage from being done to the population and to defend the general welfare. Since his death and that of Rohwedder, in Germany there have been very few if any bankers at all, who would be prepared to act in this way—and that was, to be sure, the intended effect of the perpetrators of the murder.

But what is the consequence? Our nation could perish. And not only our nation. The rapidly worsening strategic crisis (which, as Perkins correctly recognizes, has to do with Sept. 11) and the collapse of the financial system, to which globalization, and the attempt to erect a *pax universalis* (universal peace) according to the Venetian model, lead, demands a dramatic change of course. A new investigation of the murder of Herrhausen and Rohwedder will show how the railroad switch was incorrectly shifted, and in which direction it must now go.

Development Projects vs. The IMF Hit Men, 1971-91

During the 20-year period of 1971-91, there was a global drive for great development projects and for debt moratoria in the developing sector, which was met by intensive, dirty “Hit Man” operations to sabotage these efforts. Some significant efforts—exemplified by the Eurasian Land-Bridge campaign—continued after this time, but with the “missed opportunity” around the fall of the Berlin Wall in 1989, and the collapse of the Soviet Union in 1991, the financial oligarchy had succeeded in blunting the global drive for development. The following timeline presents key events in this process. It was compiled by Edward Spannaus and the editors of EIR.

1971

August: President Nixon delinks the dollar from gold, at the direction of George Shultz, launching the era of floating exchange rates. (This had been preceded by a run on the British pound sterling and devaluation in 1967; a dollar crisis in February-March 1968, which led to devaluation of the dollar; a devaluation of the French franc in April 1968; and so on.)

Dec. 2: Lyndon LaRouche debates leading Keynesian economist Abba Lerner at Queens College in New York. During the debate, Lerner is compelled to defend the Nazi Economics Minister and German central bank head Hjalmar Schacht, saying that Schacht’s type of austerity measures will be needed now to deal with the emerging economic crisis.

1972

Spring: Azores monetary conference officially brings to an end the postwar Bretton Woods system of fixed exchange rates.

The Club of Rome publishes *The Limits to Growth*, its call for zero growth in population and economy. In 1968, officials of NATO, the Tavistock Institute (British Intelligence’s psychological warfare division), and the Soviet Academy of Sciences, had founded the Club of Rome as a command center for the propagation of the Malthusian no-growth “post-industrial society” program worldwide.

1973

March-May: Another currency crisis: A run against the dollar forces a two-week closing of monetary exchanges, and leads to floating of European and Japanese currencies against the dollar.

May: Secret meeting of the Bilderberg Group in Saltsjöbaden, Sweden, discusses problems of “petrodollar recycl-

ing” under a projected 400% increase in world oil price.

October: The International Atomic Energy Agency completes a study of nuclear power plant requirements of the Third World, projecting 355 nuclear units to be operating by the year 1990. By 1983, this estimate had been discarded as unrealistic, and only 20 nuclear power units were expected to be on-line by 1990.

The “Yom Kippur War” between Israel and Arab states precipitates the Bilderberger-projected 400% oil-price shock.

November: The FBI is working with the Communist Party USA to “eliminate” Lyndon LaRouche and his influence.

1974

August: Club of Rome head Aurelio Peccei expounds his genocidal doctrine at the Population Conference in Bucharest, and is exposed as a scientific fraud by Helga Zepp (who later married Lyndon LaRouche) and her co-thinkers.

November: LaRouche initiates the founding of the Fusion Energy Foundation (FEF).

December: One hundred and twenty members of the United Nations approve the Charter of Economic Rights and Duties of States, drafted by Mexican President Luis Echeverria in 1973, giving all nations the right to development.

December: Secretary of State Henry Kissinger issues the classified National Security Study Memorandum 200, “Implications of Worldwide Population Growth for U.S. Security and Overseas Interests,” which declares that Third World population growth is a threat to U.S. control of raw materials; it cites 13 developing nations as special targets.

1975

March: The LaRouche Presidential Campaign issues the “Middle East Peace and Reconstruction Act,” which proposes spending no less than \$7.9 billion annually for the next five years, to expand irrigation, expand modern agriculture, and desalinate large quantities of salt water, to benefit all countries that agree to peace. The campaign also calls for the convocation of a Middle East Peace and Reconstruction Conference.

April: After a trip to Iraq, where he discussed economic development, Lyndon LaRouche issues a call in Bonn, Germany, for a sweeping reorganization of the world monetary system, based on an orderly process of debt moratoria and the formation of an International Development Bank (IDB). The IDB is to be constituted “as a three-way agreement among three principal world sectors: the industrialized capitalist sector, the so-called developing sector, and the socialist countries.” Its purpose is to finance an expansion of the physical economy globally, including financing great projects in every region of the world, such as the Ganges project in the Indian subcontinent, the Sahel project in Africa, and the Rio de la Plata project in South America. Attacking the Club of Rome’s lies of “limited resources,” LaRouche calls for the IDB to reverse the “principal historic issue of colonialism and impe-



Guyana's Foreign Minister Frederick Wills told the United Nations: "We cannot afford to mortgage the future of unborn generations to the obligations of burdensome capital repayments and crushing debt servicing. The time has come for a debt moratorium."

rialism": the failure to develop agriculture and industry in the developing sector to levels comparable to those in the advanced sector.

May: The New York Council on Foreign Relations launches "Project 1980s" studies, rejecting a development perspective, and instead promoting "controlled disintegration" of the world economy.

June: Algeria and Iraq issue a joint statement calling on OPEC countries to be able to export oil in proportion to their needs for imports for their economic development. Iraq goes farther, calling for a break with the dollar as the oil standard, and demanding oil accounts be payable in "a more stable currency unit."

June: French Gaullists, led by Michel Debré, call for an international monetary conference and the return to a gold standard.

July: U.S. Secretary of State Henry Kissinger, in a Milwaukee speech, attacks non-aligned nations, saying that their proposals to the UN Special Session on Development scheduled for September "simply do not reflect economic reality." If they pass, he says, the U.S. will walk out of the UN, leaving "an empty shell."

August: Mexico's Echeverria issues "Proposals for a New International Economic Order," in preparation for the UN Special Session. Similar to LaRouche's IDB proposal, it calls for an end to the dollar-based monetary system, the start of three-way trade and investment by the industrial countries, socialist bloc, and Third World, and the creation of an International Central Bank to finance trade and development.

The Non-Aligned Summit meeting opens in Lima, Peru. General Juan Velasco Alvarado, an outspoken advocate of the right of all nations to sovereign development, gives the inaugural speech. Three days later, Velasco is overthrown in a military coup led by Gen. Francisco Morales Bermudez.

September: The UN Special Session on Development features Third World demands for debt moratoria and a new world economic order. The final resolution calls for a "new international economic order."

October: The Rambouillet monetary summit, in Paris, rejects reform of the world financial system, opting instead to impose harsher austerity on developing nations.

December: LaRouche launches a development policy for Southern Africa, using South African industrial power to develop transport infrastructure, energy, and so on, for all of Southern Africa.

Brazil orders eight nuclear reactors from Germany.

1976

February: A ministerial meeting of the Group of 77 developing countries in Manila, the Philippines, takes place to prepare a common stance for the May 4 conference of UNCTAD (United Nations Conference on Trade and Development). It adopts a charter calling for debt cancellations for the poorest countries, and moratoria or cancellations for other nations that request them. Guyana's Foreign Minister Frederick Wills calls for the establishment of an International Central Bank and the dissolution of the IMF. Peruvian Foreign Minister Gen. Miguel Angel de la Flor calls for a debt moratorium.

rium, as does Algerian President Houari Boumedienne.

March: British-educated banker José Martínez de Hoz, a long-time asset of Anglo-American financial circles, organizes a military coup against the government of Isabel Perón in Argentina, which had played a leading role in the Non-Aligned Movement. The new junta implements the IMF's free-market economic program, devastating national production.

March: Peruvian Chief of State Francisco Morales Bermudez announces that Peru can no longer afford to play such an active role in international affairs, and henceforth will "turn inward." By July, the remaining three cabinet ministers in the Peruvian government who support active Non-Aligned/debt policy, including Foreign Minister De la Flor, are purged in a bloodless coup.

April: Venezuelan Foreign Minister Reinaldo Figueredo tells reporters that his government will press in the UNCTAD meeting for "a decided and practical solution" to the debt problem, "and even a moratorium." The same day, Mexican President Luis Echeverría warns a meeting of the World Parliamentary Union that the debt burden has become "intolerable," and that the present state of affairs in the developing sector "will lead to a conflagration of tragic proportions. . . ." Echeverría warns the West that the consequences of the growing pauperization of millions of people will be a permanent threat to Western security.

May: The UNCTAD conference in Nairobi, Kenya, brings together representatives of the developing sector, industrialized nations, and socialist bloc, and debates how to respond to the world economic crisis. Guyana's Foreign Minister Wills proposes that the conference appoint an intergovernmental group of experts to "identify appropriate steps for the establishment of an international central bank" to replace the bankrupt IMF. The government of India expresses strong support for the Wills proposals. Secretary of State Henry Kissinger tells the conference that only "case by case" approaches to debt will be accepted; forget any "generalized rescheduling of debts." He threatens that more than any other country, the U.S. "can survive a period of economic warfare," and proposes a raw materials indexing scheme, centered around a privately held "International Resources Bank"—which scheme LaRouche had already denounced as a "downright genocidal . . . pathetic parody of Hjalmar Schacht's old Rentenmark scheme."

June: In a speech during a state visit to North Korea, Pakistani Prime Minister Ali Bhutto argues that the failure of the UNCTAD summit showed that the developing-sector nations should call "a great conference of Asian, African, and Latin American countries to establish a more just new world economic order. . . . The time has come for the Third World countries to take cognizance of their vital interests and resolutely strive for fundamental remedial action to redress the grave injustice to the peoples of the world . . . in order to dismantle the present economic order and replace it with a more equitable system of international economic relations."

August: the Fifth Summit of Non-Aligned Nations in Colombo, Sri Lanka, representing 85 member nations, calls for a "radical overhaul of international monetary arrangements"; and specifies that a new monetary and financial system must provide liquidity for the financing of development. It promotes the industrialization of the developing countries, so that by the year 2000, developing countries would have a 25% share in worldwide production, and says that world production must be restructured to ensure that "transfers of technology" take place. It also calls for "mutual cooperation for the production and use of nuclear energy towards peaceful ends."

In the keynote speech to the conference, Sri Lankan Prime Minister Sirimavo Bandaranaike urges the creation of a currency backed by the immense economic potential of the non-aligned and other developing countries. "The financial centers of the world will no longer be limited to New York, London, Zurich, and Paris," she says. "New centers of economic power would rise in the non-aligned and the Third World. The developing world would be strong enough to think in terms of a merchant shipping fleet, to carry its import and export cargo. . . ."

Algerian President Houari Boumedienne calls for a new international economic order as "the sole way to reconcile the legitimate interests" of the developing and developed sectors, "by mobilizing the potentialities of the planet and the immense capital of scientific and technological knowledge accumulated over centuries for the well-being of all. . . ."

September: Guyana's Foreign Minister Wills tells the UN General Assembly: "The IMF and the Bretton Woods monetary system must give way to alternative structures like international development banks. . . . The crippling problem of debt and the servicing of debt has assumed a special urgency. . . . We cannot afford to mortgage the future of unborn generations to the obligations of burdensome capital repayments and crushing debt servicing. The time has come for a debt moratorium."

1977

January: Mitsubishi Research Institute of Japan proposes a Global Infrastructure Fund to finance large infrastructure projects in key areas in the developing sector, to revive industrial investment.

July: Three prominent nationalist leaders are removed:

- Pakistan's Ali Bhutto is overthrown and imprisoned.
- Guyana's Foreign Minister Fred Wills is forced to resign.
- Sri Lankan Prime Minister Sirimavo Bandaranaike is overthrown.

Jürgen Ponto, head of Germany's Dresdner Bank, is slain by the Baader-Meinhof terrorist gang. Ponto had been scheduled later that month to visit Brazil to seal the German-Brazilian nuclear deal, and a meeting between Ponto and LaRouche had been set for early August. LaRouche's co-thinkers in Germany had frequent contact with the relevant offices of

Dresdner Bank around African development.

September: Mexican President José López Portillo announces on the first of the month that Mexico will not bend to the IMF's demands for further cuts in government spending. His speech kicks off a nationalist mobilization for the industrialization of Mexico, and against the IMF.

October: Mexico's cabinet ministers announce that Mexico intends to use its newly identified oil wealth for a 20-year national crash development plan, including enabling Mexico's economy to "go nuclear."

Daimler Benz's Hanns-Martin Schleyer is assassinated. Schleyer and Ponto had been backers of a pilot project known as the Southern Africa Development Fund, which involved efforts by white South African reformers centered around the University of Pretoria to create conditions for dumping the barbaric apartheid policy, by using economic development to create demands for the kind of skilled labor apartheid destroyed. LaRouche strongly backs the project, as part of a policy of fostering the economic development of the Middle East and the African continent. LaRouche is advised that he is on the same hit-list as Ponto and Schleyer.

November: Robert Smit, a South African economist who was to have become finance minister, is slain in Pretoria. Smit had been part of the German-South African anti-apartheid pro-industrialization axis.

Germany announces that it will build four nuclear plants for Iran.

1978

Early in 1978, the Nuclear Club of Wall Street is formed by a group of investment bankers and intelligence operatives, to stop the drive for nuclear power.

March: President Carter signs the Nuclear Nonproliferation Act of 1978, which contributes greatly to the destruction of the nuclear energy industry in the United States and the Third World. This represents a reversal of the 1953 Atoms for Peace approach of President Eisenhower, which had given rise to U.S. Export-Import Bank assistance for nuclear power export and, with scores of nations signing bilateral nuclear agreements with the United States, had assisted in the beginnings of nuclear power plant construction in Asia, Africa, and South America.

May 3: Japanese Prime Minister Takeo Fukuda proposes, in a Washington meeting with President Carter, a joint effort to develop such alternative energies as nuclear fusion energy, and to undertake "grand projects" to stimulate world economic recovery, such as the construction of a second Panama Canal, and a canal across the Kra Isthmus in Thailand. U.S.-Japanese collaboration on such projects, he suggests, "could be called a New Deal." Carter replies that the World Bank should remain in control, praises solar power, and presses Japan to open its markets to U.S. products.

May 6: West German Chancellor Helmut Schmidt and Soviet General Secretary Leonid Brezhnev sign a 25-year economic cooperation treaty emphasizing German technol-

ogy and industrial products in exchange for Russian raw materials.

May: Mexican President López Portillo visits the Soviet Union, after Brezhnev's visit to Germany, and stresses the need for a New World Economic Order, to benefit East and West. He tours the advanced fission and fusion nuclear facilities at the Kurchatov Institute and the science city of Novosibirsk.

June: West German Chancellor Schmidt visits Nigeria and Zambia, the first visit to a Black African country by a West German Chancellor. "My trip should be understood as the announcement of our desire and will to seek with you a common way to bring our historical allies of Europe and Africa closer together," he declares.

July: European Community Heads of State meet in Bremen; French President Valéry Giscard d'Estaing and Schmidt announce the formation of a new, gold-backed European Monetary System (EMS), to end world monetary instability and allow for a full economic recovery.

A document smuggled out of prison from former Pakistan President Zulfikar Ali Bhutto, states: "I have been actively associated with the nuclear programme of Pakistan from October 1958 to July 1977. . . . I was concerned directly with the subject as foreign minister, as minister of fuel, power, and natural resources, and as minister in charge of atomic energy. . . . We were on the threshold of full nuclear capability, when I left the government to come to this death cell."

September: Chancellor Schmidt visits Tokyo for talks with Japanese Prime Minister Fukuda.

October: Schmidt tells West German bankers that the EMF is to be the "basis for a new *world* monetary system."

November: Mexican officials report two new oil finds that will permit Mexico to double its industrial plant within six to seven years, build whole new cities around the country, and raise living standards and education levels.

López Portillo visits China, Japan, and the Philippines. He proposes that Japan and Mexico "think big together" on how to secure an urgently needed new world economic order. Oil-for-technology deals, including for nuclear technology, are discussed.

Ireland's European Community Commissioner Richard Burke defends the EMS, saying the collapse of the Bretton Woods system and the adoption "of floating exchange rates by the end of 1973, made the creation of a successor system all the more pressing. . . . The steady decline of the dollar forced the strong-currency countries of Europe to look for a new line of security. . . ."

1979

February: Brazil concludes a nuclear deal with West Germany for eight reactors, and enrichment and reprocessing facilities.

March: French President Giscard d'Estaing visits Mexico. Both Presidents state their commitment to collaborating on creating a "Grand Conception" for North-South growth,

to head off war. Specific oil-for-technology deals are also discussed, with France committing itself to helping Mexico explore its uranium reserves, guarantee its supply of enriched uranium, and aid in constructing nuclear plants in Mexico.

The European Monetary System is launched as European governments, with the exception of Britain, agree to establish a system of stable currency parities and form the nucleus of a new European central bank. A high-level German official calls the EMS the “seed crystal for an institution that will replace the World Bank and the International Monetary Fund.”

Lyndon LaRouche and Helga Zepp-LaRouche visit Mexico, invited to address the 50th anniversary of the governing PRI party. In his Mexico City press conference, LaRouche stresses his agreement with Giscard and López Portillo, that “the choice of the world today is between the new world economic order or apocalypse.”

October: Federal Reserve chairman Paul Volcker’s high-interest-rate measures, abetted by the Second Oil Hoax of 1978-79, which tripled petroleum prices, trigger a collapse of the industrial sector of the U.S. economy.

Mexican President López Portillo urges the “adoption of a world energy plan,” in an address to the UN General Assembly. He proposes that a working group be set up, to draft a plan which can assure full national sovereignty for the nations of the world, promote developing-sector industries important to energy production (particularly capital goods), and fund the transfer of technology and manpower training to the developing sector, for new energy technologies.

1980

February: *EIR* produces a 40-page Special Report, “The Industrialization of India: From Backwardness to Industrial Power in Forty Years.” The program pivots around infrastructure, especially nuclear energy generation and water project development.

May: Brazil and Argentina sign a nuclear cooperation agreement.

Visiting France and West Germany, Mexican President López Portillo discusses the urgency of world action to head off the growing possibility of “generalized war.” He praises the peace efforts of French President Giscard d’Estaing and West German Chancellor Helmut Schmidt. After meeting López Portillo, Giscard flies to Warsaw for a sudden and unscheduled meeting with Leonid Brezhnev.

June: Indian Prime Minister Indira Gandhi discusses obstacles to her program of developing India through industry and scientific development, in an exclusive interview with *EIR*.

July: The Carter Administration releases its “Global 2000” report, projecting 170 million deaths from disease and famine by the year 2000. The report admits that economic development and technology could prevent those deaths, but

it demands that the U.S. block any such changes, and instead press for a reduction of the world’s population by 2 billion.

September: The Iran-Iraq War breaks out, to drag on for eight years. The U.S. backs one side and then the other. The view of Kissinger and the British Foreign Office is that each side should kill off as many of the other side as possible.

1981

January: West German Chancellor Helmut Schmidt tells the West German press that Anglo-American interest-rate policies are destroying the world’s economy.

U.S. President-elect Ronald Reagan meets with Mexican President José López Portillo for “cordial” talks, centering on improving North-South relations through U.S. cooperation with Mexico, India, and Iraq.

After a week of talks in India, Mexican President López Portillo and Indian Prime Minister Indira Gandhi issue a communiqué promising to increase cooperation on international affairs and technological development. López Portillo tells the press that India’s progress in nuclear energy and food shows “that things *can* be done,” and he calls for the “creation of a financial system that will allow real transfer of resources” and technology to the developing world. He also tells the Indian press that he is very “optimistic” about President Reagan’s attitude of respect and friendship towards Mexico.

February: West German Chancellor Helmut Schmidt and French President Giscard d’Estaing call for an “interest-rate disarmament conference.” They discuss the responsibilities of their nations in “the struggle against hunger, poverty, and underdevelopment,” and for “the resolutely peaceful use of nuclear energy,” and they express “their determination to cooperate in a spirit of confidence with the new American government.”

Feb. 19-20: LaRouche’s FEF and the Mexican Association for Fusion Energy release a 20-year program for Mexican economic development at a Mexico City conference at which Mexican government officials also speak. The key is to ensure that by no later than 2000, the majority of Mexicans should be able to enjoy a standard of living comparable to that of the average inhabitant of Western Europe in 1980. The conference kicks off a six-week organizing drive for the program in both the U.S. and Mexico, including follow-up conferences in Houston and Washington, D.C., presenting what would be Mexico’s potential \$100-billion shopping list for capital goods, if the U.S. will cooperate with Mexico in its aggressive development plan.

March 9: LaRouche outlines the world strategic benefits of a massive, U.S.-Mexico oil-for-technology package, in his keynote address to the annual International Symposium on Economics of the Monterrey Institute of Technology, at the start of a ten-day visit to Monterrey and Mexico City. “Shaping the outcome of the upcoming Reagan-López Portillo summit is precisely one of my objectives in coming here,” he tells Monterrey television. In a later press conference in Mexico

City, LaRouche calls upon the heads of state of France, Mexico, West Germany, and India to influence the Reagan Administration to reverse the disastrous course of U.S. economic and strategic policy. LaRouche's trip generates several days of national press coverage of his support for Mexico's drive for full-scale industrialization.

March: Israeli Labor Party leader Shimon Peres proposes economic cooperation with moderate Arabs.

The attempted assassination of President Reagan March 30 causes a delay of the López Portillo-Reagan summit scheduled for April 27-28.

May: An attempted assassination of Pope John Paul II occurs the day before he is scheduled to release the encyclical *Laborem Exercens*, which defends the value and dignity of man's labor as deriving from man's being made in the image of the Creator, and condemns the immiseration and exploitation inherent in economic backwardness.

President Jaime Roldos of Ecuador is killed in a plane crash, after attempting to implement his "Hydrocarbons Policy" to take control of his nation's petroleum resources, which puts him on a direct confrontation course with the oil companies and Washington.

June: A two-day official summit in Washington between José López Portillo and Ronald Reagan finally takes place. Reagan announces that the two have agreed "on the need to strengthen the economies of the lesser developed nations to bring about social and economic development of their peoples."

Israel bombs Iraq's nuclear plant during the López Portillo-Reagan summit.

July: Panama's chief of state Omar Torrijos is killed in a plane crash. At the time of his death, he is involved in negotiating with Japan to build a new sea-level canal, which incenses George Shultz's Bechtel Corporation.

September: There is an assassination attempt against Helga Zepp-LaRouche in West Germany.

October: Egyptian President Anwar Sadat is assassinated.

November: LaRouche releases a plan for the nuplex-based industrialization of Egypt, as an urgent measure to underline American commitment to Egyptian economic growth, after the assassination of Sadat.

1982

February: At a conference in Washington, D.C., LaRouche outlines a proposal for a beam-weapons anti-missile defense system, and emphasizes the economic benefits from such a program. (The results of a study of the program's economic benefits are publicly released in the Dec. 28, 1982 issue of *EIR*, "How Beam Weapons Would Spur Recovery.")

The Mexican debt crisis explodes: Mexico devalues its peso 28%, and adopts severe austerity measures.

April: The Argentine military junta retakes the Malvinas Islands from British colonial possession. Great Britain de-



Indian Prime Minister Indira Gandhi and Pakistani Prime Minister Zulfikar Ali Bhutto. The two leaders, who fought for their nations' economic and technological development, were murdered on orders of the global financier oligarchy. Gandhi was assassinated in 1984; Bhutto was overthrown by a military coup, imprisoned, and hung in 1979.

clares war against Argentina, sending two-thirds of its Navy to retake the islands. LaRouche calls upon the Reagan government to enforce the Monroe Doctrine, and "prevent European military action in the hemisphere." The British have no legal claim to the islands, he states.

April: The Organization of American States (OAS) votes, 18 to 3, to hold consultations on invoking the Rio Treaty for hemispheric defense to aid Argentina. The U.S. abstains.

LaRouche and his wife, Helga Zepp-LaRouche, meet with Indian Prime Minister Indira Gandhi. During their two-week visit to India, LaRouche outlines "A New Approach to North-South Relations" before the Indian Council of World Affairs in New Delhi, calling for a new "grand design" for a New World Economic Order based on interrelated East-West, North-South, high-technology-centered economic development.

April: The United States enters the Malvinas War on the side of Britain.

May: Henry Kissinger assures London's Royal Institute

for International Affairs that the Malvinas War has brought the United States back behind Britain's colonial geopolitical policy. Kissinger praises Britain because it "rarely proclaimed moral absolutes or rested her faith in the ultimate efficacy of technology," and attacks the U.S. "perennial . . . assumption that economic well-being automatically ensures political stability. . . ."

May 27: Lyndon LaRouche emerges from a 40-minute meeting with Mexican President José López Portillo, to give a press conference to 60 journalists at the Presidential residence, Los Piños. Asked what he thinks of British colonial aggression against Argentina, LaRouche calls upon the Ibero-American nations to use the "debt weapon" on Britain, and force a restructuring of the world economic system. That call, and his defense of Mexico's right to be a sovereign country, are covered prominently in Mexico's press. Before meeting with the President, LaRouche has addressed a congress of his associates in the Mexican Labor Party, and given two press conferences.

June: Argentina signs surrender. On the same day, President Reagan delivers a speech to the British Parliament outlining a new "Project Democracy" policy for developing sector nations.

July 20-24: LaRouche visits Mexico City again, for more meetings with leading private and government figures.

August: LaRouche issues "Operation Juárez," a strategy for Ibero-America to become "an economic superpower," to form a debtors' cartel and a Common Market, establish projects of South-South cooperation with countries such as India, and go "nuclear or die." Forecasting imminent financial default, LaRouche warns that Ibero-America must deliver a shock to the industrial sector, because the goal of the Anglo-American banking cartel is not to collect the debt, but to "destroy all existing nation-states."

September: Mexican President López Portillo announces in his State of the Union message, that he has ordered the implementation of exchange controls, and nationalized the private commercial banks of Mexico, as well as the nation's central bank. The bleeding of Mexico by speculation and rentier finance—which he estimates, conservatively, at \$54 billion—will end, López Portillo declares. Nations require economies "vigorously oriented towards production and employment." A national mobilization in support of the President's dramatic action begins. In this period, López Portillo calls the Argentine and Brazilian Presidents, Leopoldo Galtieri and João Baptista Figueiredo, respectively, to propose joint action on the debt. Each declines, sticking instead with Kissinger's case-by-case approach.

There is a second assassination attempt against Helga Zepp-LaRouche in West Germany.

Secretary of State George Shultz tells the United Nations General Assembly Sept. 30, that funds for development no longer exist, and the United States will not tolerate opposition to the IMF. "Economic adjustment is imperative." He blames

the present world financial crisis on developing countries' efforts to grow.

October: Mexican President López Portillo answers Shultz, in his address to the United Nations: "We countries of the South have not sinned against the world economy. Our efforts to grow in order to conquer hunger, disease, ignorance, and dependency have not caused the international crisis," and we must negotiate, together, to bring about a new economic order to the benefit of all. The failure to do so, he warns, "could well be the start of regression to the Dark Ages, with no possibility of a Renaissance."

The Presidents of Bolivia, Ecuador, Colombia, and Venezuela discuss meeting to "coordinate joint action for the renegotiation of the foreign debt." Without the support of Argentina and Brazil, no action is taken.

Brazil is forced by the IMF to cancel most of its nuclear program with West Germany.

1983

January: Mexico, now governed by President Miguel de la Madrid and isolated from international support, is forced to implement IMF demands for "free market" by decontrolling prices and imposing an 18% value-added tax; prices leap 25% overnight.

Ministers of the Non-Aligned countries issue a communiqué stressing priority of development over debt.

February: Carlos Alzamora, head of the Latin American Economic System (SELA), tells Ibero-American ministers meeting in Cartagena, Colombia, that the continent must solve the debt crisis through jointly negotiating with the international banks, and forming an Ibero-American "regional market."

March: President Reagan adopts LaRouche's design for what becomes known as the Strategic Defense Initiative (SDI), offering to cooperate with the Soviet Union in the joint development of defensive beam weapons, based on new physical principles. The program would have served as a "science driver" for the entire global economy, but the Soviets reject Reagan's offer, and the U.S. program is reduced to using only "off-the-shelf" technologies.

The Seventh Summit of Non-Aligned Heads of State and Government takes place in New Delhi, India. Indian Prime Minister Indira Gandhi urges delegates to "call for an International Conference on Money and Finance for Development, which will devise methods to mobilize finance for investments in the critical areas of food, energy, and industrial development," and "suggest comprehensive reform of the monetary and financial system now recognized as out of date, inequitable, and inadequate." Included in that must be "a major debt-restructuring exercise," she specifies.

The final document adopted at the conference calls for the convoking of an International Conference on Money and Finance for Development. "Full or unrestricted access to nuclear technologies for peaceful purposes under non-discrimi-

natory conditions is an inalienable right of every state,” the final document states. “The Heads of State or Government abhor the pressure and threats directed against the developing countries to prevent them from accomplishing their program for developing nuclear energy. . . . Non-proliferation should not be made a pretext for preventing states from exercising their full right to acquire and develop nuclear technology.”

May: Japanese Prime Minister Yasuhiro Nakasone tours ASEAN countries, saying, “there will be no peace in the northern countries without stability in the southern countries.”

June: Egypt’s President Hosni Mubarak proposes a world development bank to sponsor large infrastructure projects, creating a billion jobs.

George Shultz visits the Philippines, leading to a peso devaluation and the escalation of the dismantling of the Marcos development projects.

August: The assassination of Benigno Aquino upon his return to Manila is used to unleash a massive destabilization against President Ferdinand Marcos, on the scale of the overthrow of the Shah of Iran in 1979.

October: The first of two Kra Canal Conferences, called “Long-term Economic Development of the Pacific and Indian Ocean Basins” and held in Bangkok, Thailand, is addressed by LaRouche. It is sponsored by the FEF and the Thai Department of Communications.

1984

February: George Shultz and Vice President George H.W. Bush meet with Philippines opposition leader Salvador Laurel. The U.S. Congress, led by Rep. Stephen Solarz, moves to abdicate on the “bases agreement” by reducing payment for the U.S. bases in the Philippines.

Construction on the largest civil engineering project ongoing in the world, the 276-mile-long Jonglei Canal in southern Sudan, is halted by the IMF’s refusal to approve new credit.

The IAEA revises its 1973 study of Third World requirements for nuclear power plants in 1990, from a projected 355, to only 20.

June 24-July 1: LaRouche visits Buenos Aires and meets with Argentine President Raúl Alfonsín.

September: Lawrence Kline of Philadelphia’s Wharton School of Economics visits Thailand, promoting IMF austerity and the end of big projects, including the Kra Canal.

October: The second Kra Canal Conference takes place in Bangkok, “The Industrialization of Thailand and the Kra Canal,” sponsored by *EIR*, FEF, and the Thai Communications Ministry, featuring LaRouche and leading figures from across Asia and the United States.

On the same day as the Kra Canal Conference, Thailand is forced to adopt a 17% devaluation, with IMF-style conditionalities.

The U.S. Justice Department, in collaboration with Bos-

ton banking circles, launches a grand jury investigation of LaRouche, which will lead to his frameup.

Oct. 31: Indira Gandhi is assassinated.

1985

February: Touring Ibero-America, Pope John Paul II asks, “How long must man, and the men of the Third World, have to unjustly put up with the primacy of economic processes over the inalienable human rights, and, in particular, the rights of workers and their families?” He demands that international institutions cease “imposing financial conditions which, in the long run, instead of helping those countries to improve their situation, sink them deeper.”

April: After Sudanese President Jaafar an Numayri’s acceptance of IMF conditionalities, food riots occur in Khartoum, with slogans “Down with World Bank . . . IMF!” Numayri is deposed.

May: An *EIR/FEF* Conference in Bangkok, called “Southeast Asia: Economic Development and Security,” is opened by Thai Deputy Prime Minister Adm. Sonthi Boonyachai, with ranking military, business, government, and drug enforcement officials from across the region. The conference addresses both the global debt crisis and the drug crisis.

July: In his inaugural address after being sworn in as President of Peru, Alan García declares that no more than 10% of Peru’s export earnings will go to pay the foreign debt, and that Peru will no longer allow the IMF to mediate between Peru and Peru’s creditors. “Peru has only one great creditor: its own people, to whom the government will allocate those resources necessary for the reconstruction of its destiny. . . .”

In the opening speech to the annual summit meeting of Organization of African Unity (OAU), President Julius Nyerere of Tanzania says, “Africa cannot let its children die of starvation, just to pay back the debt.” The OAU’s final communiqué declares that “debt service should not be allowed to exceed 20% of the export earnings, and total debt should not exceed 30% of the GNP of each country.”

August: Nigerian President Muhammadu Buhari is overthrown for opposing IMF conditionalities. The new President, Maj. Gen. Ibrahim Babangida, confounds the IMF by launching a debate on whether or not to accede to IMF demands.

September: The Group of 7 (the United States, Great Britain, Canada, Japan, Italy, Germany, and France) adopts the “Plaza Accord,” upvaluing the yen and other currencies against the dollar. This results in Japan propping up the skyrocketing U.S. debt and real estate bubble, and grossly distorts Japan’s economy and its investment policy.

An attempted coup in Thailand fails, but results in the dismissal from the Cabinet of the leading pro-development figures, and the arrest of former Prime Minister Gen. Kriangsak Chamanan, a friend of LaRouche. Kissinger tells Thai Prime Minister Prem Tinsulanonda that “Kriangsak is dangerous and should be eliminated.”

October: The Center for Strategic and International Stud-

ies (CSIS) at Georgetown runs a “war game,” simulating a U.S. invasion of the Philippines after President Marcos is assassinated and Russian *spetsnaz* move into the Philippines. Robert Kupperman and James Woolsey run the “game.”

December: Nigeria rejects the IMF. Major General Babangida declares, “The path of honor and the essence of democratic patriotism lies in discontinuing the negotiations with the IMF for a support loan. . . .”

November-December: Peruvian Gen. Edgardo Mercado Jarrin (ret.) visits Manila with *EIR* representatives, meeting with President Marcos. Mercado Jarrin attends *EIR* conferences in India and Bangkok, where LaRouche’s economic proposals to the debt crisis are featured.

1986

January: Israeli Prime Minister Shimon Peres calls for a Marshall Plan for the Middle East.

The Argentine labor federation strikes against the IMF.

February: A military coup against President Marcos is carried out by Gen. Fidel Ramos, under the direction of Secretary of State George Shultz, Deputy Secretary of State Paul Wolfowitz, and AIG chief Hank Greenberg, under the guise of “people’s power.” The first act of the new Corizon Aquino government is to mothball the completed nuclear power plant built by Marcos.

July: Siemens Corporation director Karl-Heinz Beckurts is assassinated in Munich.

September: Peru’s President García addresses the Non-Aligned meeting on debt relief and the need for a new world economic order.

October: A meeting of 26 Ibero-American countries which are members of SELA endorses Peruvian President García’s 10% solution: that no country pay more than 10% of its export earnings for foreign debt repayments.

December: Egypt’s President Mubarak denounces the IMF pressure for austerity.

1987

January: The Vatican’s Pontifical Commission *Justitia et Pax* publishes a document, “At the Service of the Human Community: An Ethical Approach to the International Debt Question,” which states that “debt servicing cannot be met at the price of the asphyxiation of a country’s economy, and no government can morally demand of its people privations incompatible with human dignity.”

February: Brazil’s President José Sarney declares a debt moratorium on Feb. 20. The architect of the decision is Finance Minister Dilson Funaro.

March: Ecuador announces a suspension of debt payments.

April: Lyndon and Helga LaRouche visit Peru. LaRouche’s defense of President Alan García’s “people first” policy generates considerable press coverage, but a scheduled meeting with García is cancelled, in the midst of great tension

over Air Force opposition to the government.

Dilson Funaro, architect of Brazilian debt moratorium, is fired from the government.

Pope John Paul II, visiting Argentina, calls for “an ethical judgment of the international debt,” charging that the foreign debts of the developing countries constitute a threat to peace.

September: Brazil achieves a uranium enrichment capability, enabling it to close the nuclear fuel cycle.

October: “Black Monday,” a worldwide stock market “meltdown,” takes place.

November: Argentina’s labor movement strikes against austerity.

The Mexico peso is in free fall.

December: Mexican President de la Madrid announces a wage/price freeze against hyperinflation.

1988

March: Brazil and its creditor banks announce a new debt accord, which requires even more austerity.

Peru’s President García announces an “emergency wartime economic program,” raising prices and legalizing currency exchange houses, which were previously shut down to stop drug cash laundering.

April: The Brazilian government orders a wage freeze for public employees, and other IMF dictates.

September: Egyptian President Mubarak begins a tour of Europe, seeking official support to resist IMF austerity demands—buts he finds none.

October: LaRouche holds a press conference in Berlin, forecasting the fall of the Berlin Wall and the reunification of Germany, and proposing a “Food for Peace” policy toward Poland and Eastern Europe. Two days later, LaRouche is indicted for the second time by the U.S. government.

November: Mexican oilworkers’ union demands a debt moratorium. After Harvard-trained Carlos Salinas de Gortari becomes President of Mexico in December, the head of the oilworkers union is framed and jailed on weapons charges.

1989

January: LaRouche is imprisoned after being convicted on bogus charges, and will remain in Federal prison until 1994.

May: Egyptian President Hosni Mubarak tells the World Food Council that 512 million people have starved to death over the course of the 1980s.

June: The East German government is under increasing pressure from its people because of the worsening economic conditions of the population.

July-August: A growing flood of East Germans attempts to leave for other Comecon countries, or for the West.

September: Monday-night candlelight vigils begin in East Germany, growing, by November, into rallies of many hundreds of thousands.

November: The Berlin Wall is opened, preparing the re-



Opening a crack in the Berlin Wall, November 1989. The possibility of a reunified Germany becoming an engine for Eurasian development terrified the Hit Men, who moved quickly—through assassinations and political pressure—to force Germany to give up its currency and to apply radical free-trade austerity to the eastern part of the country.

unification of the two Germanies, as well as the opening of all of Eastern Europe.

West German Chancellor Helmut Kohl addresses the German Parliament, setting forth his ten-point plan for the reunification of Germany, including a proposal for high-speed rail development on the route Moscow-Warsaw-Berlin-Cologne-Paris.

Deutsche Bank chairman Alfred Herrhausen, who had advised Kohl on the ten-point plan, is assassinated, allegedly by the (non-existent) Red Army Faction terrorists.

December: Under heavy pressure from Britain, France, the United States, and the Soviets—the four occupying powers in Germany—Kohl secretly agrees to give up the Deutschmark and to join the European economic and monetary union, as the price for reunification of East and West Germany. Kohl later describes these as “some of the darkest hours of my life.”

Some 30,000 U.S. troops invade Panama. An estimated 4,000 Panamanians are killed in the invasion, and head of state Gen. Manuel Noriega is arrested and brought to U.S., where he is tried and sentenced—and is still serving time in solitary confinement.

1990

U.S. Secretary of Defense Dick Cheney secretly assigns Paul Wolfowitz, Lewis Libby, and others, to come up with a new strategy for the United States after the fall of the Berlin Wall.

January: The Schiller Institute in Germany publishes the LaRouche-inspired program for the “Productive Triangle, Paris-Berlin-Vienna: Locomotive for the World Economy.” The proposal is based on building a new transportation

and energy infrastructure for Europe, using the most modern rail, power, and water transport technologies, in order to transform Eastern Europe into the engine for world economic recovery.

May: German President Richard von Weizsäcker addresses the German Parliament on the “great historic opportunity of Europe.”

Paul Wolfowitz briefs Cheney on the proposed new strategic doctrine for the United States, which centers on the notion that, with the collapse of the Soviet bloc, the U.S. will not permit the emergence of any new rival power (see Postscript, below). Cheney is so enthralled with Wolfowitz’s presentation that Colin Powell, then the Chairman of the Joint Chiefs of Staff, does not get to make his alternative presentation. Cheney instructs the Wolfowitz group to continue working on the new doctrine.

September: Secretary of State James Baker, in testimony before the House Foreign Affairs Committee, announces that control of raw materials is considered a *casus belli* for the U.S. decision to deploy military forces to the Persian Gulf.

October: Germany is re-unified, subject to secret protocols requiring German integration into the European monetary union and into NATO.

1991

January: The United States bombs Iraq for weeks, prior to launching a land invasion.

April: Detlev Karsten Rohwedder, head of the German Treuhand agency, in charge of economic integration of eastern Germany, is slain.

UN Security Council Resolution 687 dictates cease-fire conditions to Iraq. Among the conditions are that Iraq “scru-

pulously adhere” to meeting its foreign debt obligations, and that its oil production fall under supranational authority.

May 21: Former Indian Prime Minister Rajiv Gandhi, running for office once more, is assassinated.

July: Pope John Paul II issues *Centesimus Annus*, which calls for building a just new world economic order against the policies of both the East and West, noting that despite the fall of communism in East Europe, “Vast multitudes are still living in conditions of great material and moral poverty. . . . For this reason, another name for peace is development.”

August: There is an attempted coup against Mikhail Gorbachov in Soviet Union.

September: Boris Yeltsin takes over from Gorbachov, and the Soviet Union is on its way to dissolution.

October: The UN Security Council Resolution 715 against the Iraqi nuclear program extends the notion of “dual-use technology” to ban an array of technologies including lasers, high-temperature furnaces, high-strength steel, and the like. The resolution bans any scientific research in physics and chemistry.

Postscript

In February 1992, Dick Cheney’s new strategic doctrine for the world’s sole superpower, contained in the draft “Defense Planning Guidance,” is leaked to the press. The key element of the draft states:

“This Defense Planning guidance addresses the fundamentally new situation which has been created by the collapse of the Soviet Union, the disintegration of the internal as well as the external empire, and the discrediting of communism as an ideology with global pretensions and influence. The new international environment has also been shaped by the victory of the United States and its coalition allies over Iraqi aggression—the first post-Cold War conflict and a defining event in U.S. global leadership. In addition to these two victories, there has been a less visible one, the integration of Germany and Japan into a U.S.-led system of collective security and the creation of a democratic ‘zone of peace.’

“Our first objective is to prevent the re-emergence of a new rival, either on the territory of the former Soviet Union or elsewhere, that poses a threat on the order of that posed formerly by the Soviet Union. This is a dominant consideration underlying the new regional defense strategy and requires that we endeavor to prevent any hostile power from dominating a region whose resources would, under consolidated control, be sufficient to generate global power. These regions include Western Europe, East Asia, the territory of the former Soviet Union, and Southwest Asia.

“[W]e will retain the pre-eminent responsibility for addressing selectively those wrongs which threaten not only our interests, but those of our allies or friends, or which could seriously unsettle international relations. Various types of U.S. interests may be involved in such instances: access to vital raw materials, primarily Persian Gulf oil.”

George Pratt Shultz: Profile of a Hit Man

by Scott Thompson and Nancy Spannaus

If there is any one figure who stands out as a consistent, evil representative of the philosophy of the Economic Hit Man over the last 35 years, it is George Pratt Shultz. Shultz is a second-generation operative for the international synarchist banking network; he operates largely behind the scenes, but decisively toward carrying out the global fascist agenda of those international bankers.

Exemplary is the crucial role which Shultz played in August 1971, when he was Director of the Office of Management and the Budget for President Nixon. According to the first-hand testimony of then-Secretary of the Treasury John Connally (see box), members of a working committee on the economic crisis urged Connally to take the crucial step of removing the dollar from its link to gold. This was the first move toward establishing the floating exchange rate which has been used by the synarchists to destroy the world economy in the three decades since. The most forceful advocate of the move was Shultz, a devotee of the fascist free-market economist Milton Friedman.

The second crucial, but little-known example of Shultz’s importance is his role in putting together the team behind the Presidency of George W. Bush. According to author James Mann, who wrote the *Rise of the Vulcans* book about Bush’s inner Cabinet, Shultz initiated a discussion with George W. in the Spring of 1998, whereby the future President sat down in Shultz’s living room on the Stanford University campus, in order to be vetted (in effect) to run for President. At that meeting were Martin Anderson, the former advisor to both Richard Nixon and Ronald Reagan; Abraham Sofaer, a former Shultz aide; John Cogan and John Taylor, two economics professors; and Stanford’s provost, and Shultz protégé, Condoleezza Rice. After the “scholars” associated with the Hoover Institution indicated that they thought Bush would make a good Presidential choice, Bush invited Shultz, Rice, and Anderson down to Austin, Texas for a follow-up meeting in the Summer. Out of that meeting, which was joined by Dick Cheney and Paul Wolfowitz, came the public decision for Bush to run for President.

By early 1999, Rice pulled together a broader group of foreign policy advisors, who agreed to be called the “Vulcans,” at her suggestion. Also present, and effectively supervising them, were none other than Cheney and Shultz.

But George Shultz, the 84-year-old grey eminence, has



George Shultz, the Godfather of the neo-con “Vulcan” group of controllers of George W. Bush, has represented the interests of the financier oligarchy in the United States for more than 30 years, including his key role in destroying the post-war Bretton Woods System.

not retired, after setting up the Bush W. Administration. By the Fall of 2003, he had a new project, this time serving as the co-chairman of the economic taskforce for California gubernatorial candidate (and now would-be President of the United States) Arnold Schwarzenegger.

Clearly, anyone who understands the danger which Nixon’s 1971 decision, the Presidency of George W. Bush, and Arnold Schwarzenegger all represent to the United States republic, needs to know just who is George P. Shultz.

The Pedigree

George Shultz is the second person in his family to play a crucial role in the policy establishment of the United States. The first to do so was his father, Birl Earl Shultz, whose history is most relevant to the later activities of his son.

Birl Shultz, born in Indiana in 1883, went East to college, getting his masters and Ph.D. from Columbia University in New York. During his time at Columbia, Birl became a friend and collaborator of Charles A. Beard, the revisionist historian who argued that the Founding Fathers of the United States were just a gang of plutocrats, seeking personal enrichment. Beard was part of the *New Republic* crowd, which the Morgan bankers were using to promote the likes of Benito Mussolini. The elder Shultz co-authored a book with Beard.

In 1918, Birl Shultz obtained a job which brought him into the circle of leading synarchist bankers, and obviously shaped his thinking for life. He became personnel director with the American International Corporation (AIC), where he remained until 1923. In 1922, he founded the New York Stock Exchange Institute, an institution dedicated to training future stock market employees.

EIR published extensively about the AIC back in 1986, in the course of tracking down the treasonous circles who were controlling Henry Kissinger, and other operatives who were attempting to destroy Lyndon LaRouche’s, and President Reagan’s, policy of strategic defense, which Reagan called the Strategic Defense Initiative. *EIR* identified the AIC, which was located at 120 Broadway in New York City, as an integral part of the supranational, bankers-controlled entity called “The Trust.”

As personnel director of AIC, Birl Earl Shultz became an integral part of the “Trust” arrangements that existed under the New Economic Plan of Vladimir Lenin and Cheka secret police founder Felix Dzerzhinsky, whereby leading oligarchical families in the West and the Soviets in the East, sought to make deals in their mutual interest.

Founded in 1915 by Frank A. Vanderlip of the Stillman-Rockefeller-controlled National City Bank, the AIC had a \$50 million capital investment fund drawn from such other top Establishment names as Morgan, Schiff, Winthrop, Grace, and Armour. Also, at 120 Broadway was a complex of firms that were trading and investing in Russian raw materials. This was also the address of the Federal Reserve Bank of New York, whose founding board overlapped that of the AIC, and which, early on, offered \$1 million credits to the Bolshevik Revolution. And, 120 Broadway was home to such “Trust” espionage agents as Lt. Sidney George Reilly of British Intelligence.

Ironically, records from the archives of that very State Department where George Shultz would one day serve as Secretary, show his father to have been involved through AIC with: 1) planning all the engineering projects of the

Soviet Five-Year Plan, over eight years before they were implemented; 2) negotiating secret treaties between the Bolsheviks and the U.S. State Department, when the Bolsheviks barely controlled St. Petersburg and Moscow; 3) lobbying to stop Western military intervention of any consequence against the Bolshevik Revolution, while calling for “economic assistance” and ending the State Department blockade upon trade and credits for the Bolsheviks; and, 4) creating the first “back channel” to the Bolsheviks through the “controlled” Communist John Reed, and possibly through Armand Hammer, who later served George Shultz in this capacity until Hammer’s death.

The AIC did not limit itself to extensive business with the Soviet Union. More than a third of its investment activity was in Ibero-America, where AIC was affiliated with the United

Fruit Company and W.R. Grace, both of which companies were notorious for their political involvement.

The existing record of AIC’s treachery is based largely upon documents written by Dr. Birl Shultz’s contemporary, William Franklin Sands, who was assistant to AIC’s president Charles A. Stone from 1917 to 1922. Because Sands was a former career diplomat, he was charged by AIC with the job of liaison to the U.S. government. Fortuitously for him and AIC (and perhaps not so accidentally), Sands found himself in Russia at the time of the Bolshevik Revolution, where he had been working on a U.S. State Department relief program for German and Austrian POWs. Sands describes his accomplishments in Russia during this period as unique; he said his was “probably the only organization to bring a profit out of the Revolution.”

Connally: ‘Shultz Did It’

Far removed from the buzz of more than 500 people, in the back corner of the Hart Galleries in Houston, a tired John Connally surveyed the scene before him. It was Jan. 23, 1988, the second day of a bankruptcy auction held to sell off a lifetime of possessions collected by him and his wife. With millions of dollars in debts, and little in the way of liquid assets, Connally could do little but watch as the auctioneer took bids on his worldly goods, with the proceeds earmarked to go to his creditors.

For the moment, Connally was alone. Although the press had written of his strength, how he had been standing firm in the face of adversity, he appeared tired, somewhat slumped. I approach him and asked if I could ask him a few questions. He straightened up and said, “Only if they are not about bankruptcy.”

I asked about his memories of Aug. 15, 1971, and the announcement by President Nixon of the end of the post-war system of fixed exchange rates. He immediately brightened, saying: “Yes, that was my idea. I took that to the President two nights earlier.” He continued, saying that we were facing a terrible crisis and that no one else would face it. He said it was his most difficult decision as Treasury Secretary, but events of the subsequent 16 years had proven it was the right decision.

I told him I disagreed, that the shift away from fixed exchange had led to a series of devastating crises. In particular, I mentioned the August-September 1982 debt crisis for Mexico, with the vulnerability of the U.S. banking system to a default or moratorium; and the October 1987 stock collapse, as a result of the shift of the economy from

production to speculation, a shift made inevitable by the action of Aug. 15, 1971.

As he listened intently, I told him that I work with Lyndon LaRouche, who forecast that Nixon’s actions of Aug. 15, 1971 set in motion what would become the worst financial crash in history. I asked if he had any comments on that.

“Well,” he replied, “I’m not sure about that. Of course, the crisis was already under way before I arrived.” He told me that he had little familiarity with international finance prior to his appointment by Nixon, and that he was first made aware of the problem during regular briefings from William McChesney Martin.

I asked him, “So how was the decision made?”

He said that there was a working committee, which included himself, Henry Kissinger, Paul Volcker, and George Shultz. Sometimes, Herb Stein (Chairman of the Council of Economic Advisers) attended, sometimes Arthur Burns. Of this group, only Arthur Burns was opposed to closing the gold window. They met on Aug. 13. Kissinger was not there, but Shultz was the most forceful in insisting that the fixed exchange system must end, and that Connally must brief Nixon immediately.

“Did you object?” I asked.

“No,” he replied. These were the smartest men around. I figured they knew what they were doing. He added that he briefed Nixon the next day, and Nixon had only one question—have you run this by Shultz? When told that Shultz was for it, Nixon asked him to get a draft to his speechwriters, and it was announced the next morning that he would give a major policy address.

I asked Connally if he had any regrets about the decision. He looked wistfully around the room and said, “Right now, I have lots of regrets about a lot of things.” Any about Aug. 15? With that, he walked away, saying he didn’t want to think about it just then.—*Harley Schlanger*

There is evidence that Sands may have pursued far more than “business” with the Bolsheviks. U.S. State Department files contain an exchange which seems to indicate that Sands had negotiated secret treaties with the Bolsheviks at a time when they barely controlled St. Petersburg and Moscow!

These documents are indicative of the fact that AIC, and a good number of the firms that cohabited with it at 120 Broadway, were operating not as business enterprises per se, but as extensions of oligarchical families, who see their role as ensuring that the global financial oligarchy, centered in London and New York City, maintains decisive power over world resources and developments. It is noteworthy that a number of the firms involved were not financial, but specialized in construction and production, such as Stone & Webster, DuPont, and General Electric. This is a *modus operandi* parallel to that described in *Confessions of an Economic Hit Man* by John Perkins, who worked for an engineering firm, and then for Stone & Webster itself, while serving as an Economic Hit Man for the oligarchy.

Enter George Shultz

George Shultz was trained for his role as a Economic Hit Man in Eastern Establishment schools, including the Loomis School in Connecticut, Princeton University, and the Massachusetts Institute of Technology. Between his stints at Princeton and MIT, he spent three years in the U.S. Marine Corps during World War II. Later, he ended up at the University of Chicago, where he worked closely with that Nobel-certified monetarist idiot, Milton Friedman.

Shultz’s first known nefarious mentor was Kurt Lewin, an operative of London’s Tavistock Institute who had set up a Research Center for Group Dynamics on the MIT campus. Included among Lewin’s objectives for mind control was to lower the cost of labor. In the mid to late 1940s, Shultz collaborated at the center with John T. Dunlop, with whom he did a study which found that speed-up of labor and wage-gouging could be accomplished, not only through the “human side,” but also by the threat of economic depression and unemployment. Shultz was appointed chairman of the Industrial Relations Division of MIT in 1954.

Three years later, Shultz moved on to the University of Chicago, where his close friend and mentor, in addition to Friedman, was W. Allen Wallis. Wallis’s career went from promoting racial eugenics, to the counterculture, to, ultimately, the monetarist Mont Pelerin Society, which he served as the founding treasurer. It is at secret Mont Pelerin Society meetings that many of the economic policies of the international financial oligarchy get disseminated to the bankers and government bureaucrats who will carry them out.

Shultz became a professor of Industrial Relations and ultimately the dean of the University of Chicago Business School. By the late 1960s, he had moved to the Stanford University Center for Advanced Study in the Behavioral Sciences, thus establishing a base at that university in which he continues to the present day.

Shultz’s economic ideas reflect those of the so-called Chicago School, the extreme “free-market economics” ideas that lead to draconian looting of the working population, in favor of the financial oligarchy. In an interview with Public Broadcasting in 2000, Shultz forthrightly explained that the Chicago School had taken over the economy of Pinochet’s Chile, creating what he called “the only decent economy in South America in the mid-’80s.” He gave only a nod to the fact that there were “no doubt . . . some unnecessarily brutal things in the process.”

Positions in Government

Shultz’s long career in government began in the 1950s, as a senior staff economist with President Eisenhower’s Council of Economic Advisors. In the 1960s, he was involved with the Nixon campaign, and was appointed Secretary of Labor upon Nixon’s election in 1968. Two years later, he became the first Director of the Office of Management and Budget, a position he held until he was appointed Secretary of the Treasury in June 1972. It was from that position that he took his most decisive action, in consolidating the arrangements for the post-industrial floating-exchange-rate monetary system.

Upon leaving the Nixon Administration in 1974, Shultz went to the Bechtel Corporation, where he became president and director, until he entered government once more with the Reagan Administration, in 1982. (According to James

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Mann's *Rise of the Vulcans*, Shultz was actually involved in vetting Reagan before his run for President.) He remains on the Board of that powerful corporation.

In 1981, Shultz was made chairman of the incoming President Reagan's Economic Policy Advisory Board. In that position, he did nothing to reverse the ravages upon the physical economy—industry, agriculture, infrastructure—wrought during the previous Carter Administration by Federal Reserve Chairman Paul Volcker's usurious interest rates. Rather, Shultz embraced the New York Council on Foreign Relations' "1980s Project" work of 1976, which had called for "controlled disintegration" of the world economy.

It is noteworthy that Perkins considers Shultz's entrance into the Reagan Administration as leading to the crucial tilt against Gen. Omar Torrijos, the Panamanian leader who had negotiated the transfer of control over the Panama Canal to his nation, and who was then in negotiations with the Japanese for the construction of a second sea-level canal. This tilt ultimately led to his assassination in 1981. Perkins argues that Shultz's company, Bechtel, strongly objected to the construction of a new canal, for which it would not get the contract, and that Shultz used his influence with government accordingly.

In 1982, Shultz was promoted to become the 60th Secretary of State, and served until Jan. 20, 1989. As Reagan's Secretary of State for six years, Shultz pursued economic and geopolitical policies consistent with the synarchist bankers' intent to destroy the nation-state, and prospects for economic development, particularly in the developing sector. Exem-

plary of his outlook is a speech he gave in 1984, which is a clear precursor of the Cheney-Wolfowitz doctrine of preemptive war and American empire, first officially put forward in 1991.

According to *EIR*'s sources in the U.S. intelligence community, Shultz used his position to try to nip the investigation of the Jonathan Pollard spy scandal in the bud. Under investigation was the existence of, and members of, what was called the "Mr. X Committee," which was thought to be collaborating with Israeli national Pollard in his espionage activities. For this purpose, Shultz deployed the Legal Advisor of the U.S. State Department, Abraham Sofaer, who was a former Federal judge nominated by President Carter, and alleged to be an agent of Israel's Mossad. Judge Sofaer had presided over the lawsuit brought by then-Gen. Ariel Sharon against *Time* for its straightforward coverage of the slaughter of Palestinian refugees in Lebanon by Falange militia, under General Sharon's oversight, during Israel's war on Lebanon.

No sooner did Shultz tip Sofaer to try to bury the Pollard case, than Sofaer led a delegation in late 1985 to Israel to interrogate Rafael Eitan. Eitan had been the head of Lekem—the "off-the-reservation" technological intelligence unit that was believed to have been the Israeli counterpart of the "X Committee." Not only did nothing come out of this interview with Eitan, but, while in Israel, Sofaer—according to columnists Rowland Evans and Robert Novak—gave an interview to the Israeli daily *Ha'aretz*, where he praised Sharon's inva-

Shultz and Bush's Vulcans

In the Summer of 1998, a Bush family war council took place at their Kennebunkport, Maine, vacation compound, where it was decided to make George Pratt Shultz the head of then-Gov. George Bush's Presidential Exploratory Committee. Shultz's deputy on the Committee, launched shortly thereafter, was former President Bush "41's" Secretary of Defense, Dick Cheney, who has since emerged as one of the most powerful Vice Presidents in history.

Like Shultz, Cheney brought with him baggage, such as his 1990 Defense Secretary's brief advocating a Roman-style *Pax Americana*. Clearly, Shultz did not disagree, because almost every member of Bush 41's foreign policy team shared the post-Cold War mirage of building an "American empire." It was these two Anglo-American Establishment members of the Republican "Old Guard" who greased the skids for Bush 43's successful Presidential campaign.

One of the first selections made by Shultz—who was himself then a Distinguished Fellow at the Hoover Institu-

tion, among other positions—was Condoleezza Rice, also a Hoover Fellow, who had just finished a term as Provost at Stanford. It was she who dubbed Bush 43's strategic policy team "The Vulcans," after a statue of the Roman god of metal-forging in the steel center of Birmingham, Alabama, her hometown. (Some wags have suggested since, that she ought better to have dubbed the team "Martians," after the Roman god of war.)

Shortly after the Kennebunkport summit, Bush 43 visited Shultz's home in Palo Alto, Calif., and approved the woman who was to be part "nanny," part "school marm," and today Bush's nominee for Secretary of State. With Condi Rice as the self-described "quarterback of the Vulcans," one of the first drafts by Shultz and Cheney was Paul Wolfowitz, Deputy Secretary of Defense. Wolfowitz, as a member of the Cheney Defense Department under Bush 41, had argued loudly that the time was ripe for a *Pax Americana* empire. Wolfowitz, in turn, is believed to have brought in Richard Perle, who became chairman of the Defense Policy Board, having served as Assistant Secretary of Defense for International Security Affairs from 1981-87 in President Reagan's Administration.

—Scott Thompson

sion of Lebanon, Israel's bombing of the Palestine Liberation Organization (PLO) in Tunisia, and its interception of an Egyptian airliner.

So, Shultz used an avowed advocate of Israel's fascist "Terror Against Terror"-style tactics, to cover up the extent of the Pollard espionage network. And, he rewarded Judge Sofaer by seeing that he became a Fellow at the Hoover Institution, along with Shultz.

Toward the end of the Reagan Administration, following then-Prime Minister Margaret Thatcher's advice that Soviet President Mikhail Gorbachov was a "man with whom you can do business," Shultz proposed what was then known as a "global condominium" or "New Yalta" arrangement with Gorbachov. Ironically, by 1989, Soviet hardliners, fearing an impending economic collapse, were preparing for a potential "global showdown," and Gorbachov was President in name only.

Exemplary of the "New Yalta," is the case of the Middle East, where Shultz rudely rejected Israeli and other suggestions that an economic development program for the region ought to be the key component of negotiating political solutions. Taking a page from Zbigniew Brzezinski's "Arc of Crisis," Shultz carried out secret diplomacy, offering Israel the West Bank (which had been part of Jordan), plus a part of southern Lebanon, if Israel would grant Syria, which was then a Soviet satrap, the remainder of northern Lebanon. Thus, the map of the Mideast would be redrawn into a "Greater Syria" and a "Greater Israel"—an arrangement which left the Palestinians, with whom Shultz refused to deal, nothing.

The Post-Reagan Era

Since leaving office, Shultz has not changed his disregard for the general welfare. He teamed up with "British Golem" and mega-speculator George Soros to promote a series of referenda to legalize narcotics, making him truly the "Godfather" of the Vulcans. Thus, in an Oct. 7, 1989, speech to the Stanford Business School, Shultz said that the time had come "to make it possible for addicts to buy drugs at some regulated place at a price that approximates cost. . . . We need at least to consider and examine forms of controlled legalization of drugs." Shultz's program, in historical effect, has resulted in skyrocketing addiction wherever it has been implemented.

In semi-retirement in the Hoover Institution's ivory towers, Shultz has done very well indeed, giving economic advice to many companies gullible enough to accept it from the man who helped bring about their impending demise. He is a member of the board of directors of Bechtel Group, Fremont Group, Gilead Sciences, Unnext.com, and Charles Schwab & Co. He is also chairman of the International Council of J.P. Morgan Chase, which *EIR* analysts believe may have been taken under protection of the Federal Reserve after it nearly went under in 2003.

Shultz is being well rewarded for his years of servitude to the Anglo-American Establishment.

To be continued.

Book Review

'Washington Consensus' Indicted for Genocide

by Jeffrey Steinberg

Confessions of an Economic Hit Man: How the U.S. Uses Globalization To Cheat Poor Countries Out of Trillions

by John Perkins

San Francisco: Berrett-Koehler, 2004

264 pages, hardbound, \$24.95

The great European republican philosopher and scientist Gottfried Wilhelm Leibniz wrote that this is the best of all possible worlds. Those thoughts came to my mind several weeks back when a colleague, John Hoefle, while using the Internet for research, came upon an interview that author John Perkins had given to "Democracy Now's" Amy Goodman. The interview text and audio-voice stream were shared with Lyndon LaRouche, who immediately concluded that the remarks by Perkins were of remarkable strategic significance—particularly in the wake of the events of Nov. 2-3, 2004, pointing towards the prospect of four more years of the Bush-Cheney abomination in the White House.

The subject of the Perkins-Goodman interview was the author's latest non-fiction work, an autobiographical account of his several-decade-long stint as what he called "an economic hit man." In that interview, and in far greater detail in his book, *Confessions of an Economic Hit Man*, Perkins presented his own bird's-eye view of the inner workings of what professional economists call "the Washington Consensus," the post-Bretton Woods system of top-down arrangements among the International Monetary Fund, the World Bank, the world's leading central banks, and an interlocking combine of several thousand multinational banks and industrial and raw material extraction corporations, that control upwards of 80% of the world economy, including the lion's share of the strategic raw material wealth of the planet. These forces have no allegiance to any particular nation-state. Indeed, they are above the law of nations, and seek a one-world "globalized" empire, under their top-down vice-grip control. They constitute what Perkins describes as the most sophisticated global imperial apparatus that the world has ever known. Their power rests in their ability to enslave entire nations through



The paradigm of the economic hit men and the jackals: New York Stock Exchange President Richard Grasso embraces Raúl Reyes, the financial chieftain of Colombia's narco-terrorist FARC, in the Colombian jungles in 1999.

the mechanisms of the IMF, World Bank, private debt, and corruption.

As Perkins wrote, the global debt-masters employ “economic hit men,” like himself, to trap targetted nations in bankruptcy, and then force them to turn over their national patrimony of raw material wealth and labor power. When a particular nationalist head of state resists, the debt-masters next bring in the “jackals,” the professional assassins, to arrange an airplane crash “accident,” or some other convenient “tragedy” to eliminate the misguided leader and serve notice on his successors that such behavior is not to be tolerated. In the exceedingly rare case in which the jackals fail in their mission, pretexts are arranged and imperial wars of conquest and occupation—like the 1989 invasion of Panama, and the 1991 and 2003 invasions of Iraq—take place. A thoroughly corrupt mass-media provides the soap opera rationalization for the military punishment of resisting nations, as in the Cheney-Bush “Big Lies” about Saddam Hussein’s make-believe arsenal of weapons of mass destruction, and his fractured-fairy-tale links to Osama bin Laden.

Perkins’ autobiographical account of how he was spotted, profiled, recruited, and trained to be an “economic hit man”—and how he found the personal courage to escape from a very lucrative, seductive, but murderous life—is a gripping tale. It is told with a flair for the details, great and small, which make it a very convincing story. The archives of *EIR*, and the saga of Lyndon LaRouche’s lifetime quest for global economic justice, confirm that every basic feature of Perkins’ account is true to life.

Perkins speaks, in personal terms, about his own dealings with Panama’s leader Omar Torrijos and Ecuador’s President Jaime Roldos. Both men resisted the bribes and threats of the “economic hit men,” and instead fought for programs that would benefit all of their people. They were both killed in 1981, and Perkins’ accounts leave no doubt that they were assassinated by the jackals because they dared to resist.

Among the “crimes” of Torrijos was his negotiations with the Japanese government to build a sea-level second canal through Panama. Indeed, Lyndon LaRouche was working in close concert with the Mitsubishi Global Infrastructure Fund (GIF) people on that effort, along with the proposed Kra Canal in Thailand. These were truly “Great Projects” that would have created the preconditions for a revolutionary transformation of the world economy and the

world trading system, benefitting all of mankind.

Indeed, the list of leading political and economic figures who were given the jackal treatment during the period of Perkins’ tenure as an “economic hit man” extends far beyond the tragic cases of Torrijos and Roldos (see accompanying summary timeline). Among the most notable, since the advent of the post-Bretton Woods System in August 1971: German bankers Jürgen Ponto and Hanns-Martin Schleyer, and, later, Alfred Herrhausen and Detlev Rohwedder; Italian Prime Minister Aldo Moro; Indian Prime Ministers Indira Ghandi and Rajiv Ghandi; Pakistani President Zulfikar Ali Bhutto; Mexican Presidential candidate Donald Colosio and Colombian Presidential candidate Luis Carlos Galán.

One of the most flagrant depictions of the relationships between the economic hit men and the jackals appeared in the Colombian media several years ago, and was subsequently circulated worldwide by *EIR*. The picture showed Richard Grasso, then the chairman of the New York Stock Exchange, deep in the Colombian jungles, in a friendly embrace with the financial chief of the FARC, the Colombian narco-terrorist organization—affiliated with that country’s Communist Party—which is at the heart of the multi-billion narcotics trade, and which is behind many of the acts of political violence that have plagued Ibero-America in the recent several decades.

McNamara and Shultz

Perkins’ book is an effective blend of his own personal experiences in his several-decade career as an economic hit

man, and a lively account of larger strategic events in the countries he visited. He struck a bull's-eye, when, in his analytical account, he identified George Shultz, former president of Bechtel, former Treasury Secretary (under Richard Nixon), and Secretary of State (under Ronald Reagan), as the heir to Robert Strange McNamara as one of the top figures in the new imperial pyramid of power.

As *EIR* has reported over the past 30 years, and as we detail elsewhere in this *Feature*, George Shultz is truly one of the most nefarious figures in political life in our time. It was Shultz who took personal responsibility for the final destruction of Franklin Roosevelt's Bretton Woods System of fixed exchange rates, first in his infamous diktat to Nixon's Treasury Secretary John Connally, whom he soon replaced; next, at the Azores international monetary conference; and finally at the 1975 Rambouillet conference, where European nations attempted, unsuccessfully, to reconstitute a stable monetary system to also include the integration of the Soviet bloc. Shultz later orchestrated the Plaza Accords of 1985, between the United States and Japan, which, in effect, ended Japan's efforts, over the prior decade, to play the role of sponsor and creditor of a series of great economic development projects. He later would, in effect, "create" the present George W. Bush Administration, through his sponsorship of the "Vulcan" team of top policy aides, who became key Cabinet officials.

But Shultz in other respects merely personifies the system of economic hit men exposed by the Perkins book. Shultz is not a "Lord of the Rings." He is, ultimately, an underling, who has taken the Faustian deal, and cares nothing about the fact that his policies have directly led to the deaths of millions, and will kill countless more millions in the future if not stopped.

It was the weight of this legacy of genocide-by-debt trap that prompted John Perkins to break. His decision to write his confession is of monumental importance, at this moment of grave world crisis, and his book provides a vital flank against the economic hit men of the new imperium.

And this brings us back to Leibniz and his notion of the best of all possible worlds. Bush and Cheney are, apparently, back for four more years. As the result of the election outcome, the rest of the world will be tempted to sit idly by, as the consequences of the first four years of Bush-Cheney smack the United States with a very tough dose of reality—starting with the dollar crash which is already under way.

Under these circumstances, the appearance of the Perkins book offers a vital flank against the global financial oligarchy at a moment when their power arrangements of the past 33 years are on the verge of disintegration. Placing the spotlight on the methods of the "IMF-World Bank Washington Consensus" at this moment affords a unique opportunity that cannot be passed up. It is in this respect that the Perkins book provides a much-needed piece of ammunition to those who are dedicated to a better world.

Interview: John Perkins

There's a 'Tremendous Opportunity for Change'

John Perkins is the author of the overnight, underground bestseller Confessions of a Hit Man: How the U.S. Uses Globalization to Cheat Poor Countries Out of Trillions (see accompanying review). He was interviewed by Jeffrey Steinberg.



EIR: I want to start by asking you about the response to the book.

Perkins: The response has been incredible. It's been amazing to me, and also gratifying. The book hasn't received what we might call "mainstream" press coverage. In fact, I was supposed to be on one of the major networks a couple weeks ago, flew to New York to be on it: Two hours before I was supposed to be on, they pulled me, and said that one of the major producers had decided that the political ramifications were too dire, to have me on. So, they pulled me two hours before I was supposed to appear—which was rather shocking.

But, despite the fact that the mainstream press hasn't covered this book, the response has been overwhelming. It went to No. 1 on Amazon its first official week in publication. It's now in its fourth week of publication, and it's in its third printing, which I've been told is without precedent in the publishing world, especially for a book that hasn't received mainstream press coverage.

At my daughter's urging, I looked up *The Confessions of an Economic Hit Man* under Google, and there's 54 pages! Each one which a whole bunch of website connections.

So, there's a tremendous amount of discussion being generated, and I find that to be amazing, and very gratifying, because, what it tells me, is that people are deeply, deeply interested in this subject.

As I've criss-crossed the country in the past four weeks on a book tour, I keep finding people who call into radio shows, or who come up to me, and say how they've always felt this sort of thing was going on, that there were the equivalent of economic hit men out there. They didn't know the words. They just felt it in their hearts, but, how gratifying it is to have someone who actually experienced that and participated in the process, to come out and tell the story.



Ground Zero in New York, Sept. 17, 2001. Visiting the site shortly after the terrorist attacks, Perkins “realized that I had to take a lot of responsibility. That my years as an economic hit man had led to this, and that I had to come clean on that story.”

So, what I’m getting out of all this, is that it’s a story that must be told, which is why I told it after 9/11—I knew it had to be told. And it is relating to a lot of people on a very, very deep level. I think it strikes at the very chords of what it is to be an American. We grow up in this country, believing in ideals that are represented by our Declaration of Independence, believing that all people have the right to life, liberty, and the pursuit of happiness. I think the American people are a compassionate people who really believe in these principles. And yet, we know, at some level, that we’re not carrying out that role in the world; in fact, we’ve betrayed those very principles which are our foundation. We have betrayed them, and we continue to betray them. And, people are fed up with this. They really want change. But, they don’t know quite how to go about getting change.

So, the first step, is for people to really talk about it. You’ve been doing this for a long time. Your publications and your people have been spreading this word for a long time. And now, I think perhaps even more people are out there spreading it.

EIR: In the book, you discussed the fact that you’d been thinking about writing such a book for a long time, but that, after the attacks of Sept. 11, 2001, that sort of put you over the edge: that you had to do the book. Could you explain a bit about how that worked? What was going on in your mind, when you saw the planes attacking the World Trade Center and the Pentagon?

Perkins: Yes, it was a pivotal moment for me, as it was for many people. I never actually saw any of that, until a number of days later, because I was deep in the Amazon. I’d taken a

group of people, who went in to learn from the Shuar of the Amazon, people I’d worked with for years. During ’90s, I’d devoted a great deal of my time, energy, and money to non-profit organizations, working with indigenous people, including ones in the Amazon, and taking Americans in to learn from these people.

And we happened to be there on 9/11. It’s an interesting story, because, on Sept. 10, we were getting in to be with the Shuar, who are amazing warriors—people I’d known since the late ’60s. If you’ve ever seen a shrunken head, or a picture of one, they did it, because they’re the only people in the world that do. And they were the main line of the defense for the Ecuadorean Army against the Peruvian Army, in the war that was fought in 1995 between Ecuador and Peru, over oil rights. Most Americans aren’t even aware that that war was fought.

So, on Sept. 10, I’m in a dugout canoe, going down the river, talking to my blood brother, whose name is Shakaim, and he’s a co-author of another one of my books, called *Spirit of the Shuar*, which was published about three or four years ago, by Inner Traditions. And, as we’re going down the river in this dugout canoe, I’m saying to him, “Is the peace with Peru still holding?” And he said, “Oh yes, we’ve got no problem there. But now, brother, we’re planning on going to war with you.” And, of course, he didn’t mean me personally, or the group of people I was bringing in; he was referring to our oil companies, that are in a position to take over, basically, the Ecuadorean Amazon, for oil.

That night, this group of 16 people that I’d brought in, and I, sat around in a Shuar lodge, by a fire, and we talked about this. And we wondered out loud, how many people in the

world feel this way toward us? How many people fear us, and hate us? Not us, individually, but our policies.

So, the next morning, we got up, and we were having breakfast—we're way deep in the Amazon, but we have one means of communication with the outside world: It's a two-way radio, and every morning we try to talk with our pilots back in the Andes, because they're going to fly in in a few days, and some days you can't get in touch with them because of atmospheric conditions. So, every morning, we try to touch base with them.

On Sept. 11, I was on the radio with them; they were listening to a commercial station, that interrupted its music, and gave a blow-by-blow of what was going on in New York. So, I got it over this radio in Spanish, which I then translated for our group of people—and it was incredibly powerful for us, given the fact, that just the night before, we'd had this discussion. And three of the people thought they might have had relatives who were killed that day.

So, it was an amazing time. We all thought that this would be a shaking-awake for Americans. The Shuar also said this. And a couple of days later, we were up in the Andes with the Quechua, who told us about their prophecies, that this is a time when there is an opportunity for tremendous change: the story of the Eagle and the Condor, which is told in *Confessions of an Economic Hit Man* in detail. Basically, it prophesies that the people of the North and the people of the South will come together during these ten years before the year 2012, and form a whole new level of consciousness.

And so, what we were told by the Shuar and the Quechua was that this was the sign we'd entered this period: that the people of the North, whom they called the "Eagle People" were being tested by the people of the South, the "Condor People." They saw Osama bin Laden as a test for us.

I came back to the States, and very shortly after that, I went up to New York to visit Ground Zero. And as I sat there, and smelled the burning flesh, which you could still smell at that time, and saw the smoke rising from that pit, I realized that I had to take a lot of responsibility: that my years as an economic hit man had led to this, and that I had to come clean on that story. It wasn't enough simply to contribute my time and money to a non-profit, and try to assuage my guilt, and correct the wrongs that way. I had to tell the story. I have a 22-year-old daughter, and I owe it to her, and her generation; and I owe to all Americans and I owe it to myself. And I realized that, as I visited that site at Ground Zero, that this story *has* to be told, regardless of the consequences, regardless of the personal risk, regardless of what issues it may raise with many, many people. It's a story that the American people *must* know about.

EIR: You speak in the book, about both certain personalities—the name George Shultz comes to mind—and also certain institutions, like the International Monetary Fund and the World Bank, which really are the architects of the policies

under which you functioned as an economic hit man. And you also, of course, discussed the role of the "jackals," the literal assassins who come in to deal with more extreme cases of resistance. You, in the book, talk at some length about the Torrijos and Roldos cases. I wonder if you've got any further thoughts on this "jackal" aspect, if there are other cases and other instances, where you were not necessarily so personally involved, but where you saw this economic hit man and jackal system playing out.

Perkins: Yes—you've covered a lot of territory there, from George Shultz to the jackals!

I do want to say—George Shultz, I do talk about, who was, of course, president of Bechtel Corp., and then Secretary of State under Reagan, and very much, deeply involved in attacking Panama in 1989. And that's described in detail in the book, how that all ties in with the whole Bechtel philosophy.

But, I want to emphasize, that this is not a partisan issue. These things happened under both the Democratic and Republican regimes. And George Shultz is a great example under the Republican, as are Dick Cheney and Condoleezza Rice, and the Bush family themselves. But, let's not forget that the Kennedy and Johnson Administrations had Robert McNamara, who'd been president of Ford and then was Secretary of Defense under Johnson and Kennedy, and then became president of the World Bank. And there were people like Brzezinski in the Carter Administration. And these things occurred also under Clinton. This is not a partisan issue.

The Bush family is particularly vulnerable these days, because of their very, very strong connections to the oil companies.

And yes, as you pointed out, when the economic hit men fail, which over the past four decades, we haven't failed very often: We've managed to create a world empire, the first truly global, world empire, essentially without the military. We've done it through economics, the economic hit men. But, when we fail, as we did in Panama and Ecuador—I failed, in those countries, to bring Omar Torrijos and Jaime Roldos around—then the jackals, who are CIA-sanctioned assassins, step in. And they did assassinate Omar Torrijos of Panama and Jaime Roldos of Ecuador, because I failed.

Now, if both the jackals and the economic hit men fail—which is not very usual these days, but we did both fail in Iraq—then the next step is, that we send in our young men and women, to kill and to be killed.

And so, this huge empire has been created largely through economic hit men, with the backup being the jackals, and the step of last resort, being to bring in the military. It's been a very effective and a very subtle system, and it basically puts all the other empire-builders of history—the Romans, the Persians, and Spanish *conquistadores*, the British, the Germans, the Dutch—it puts them all to shame. We've done a much better job of it, in a much more subtle way—in such a way that many of our own citizens don't realize that we've become an empire!

EIR: Perhaps you could give a bit of a description . . . of what the methodology is, of the economic hit men. Because, clearly there is a phenomenon, a desirable phenomenon, of actual economic development, that promotes national sovereignty, rather than stealing it. You describe the idea of debt-slavery. I wonder if you could elaborate on, what does an economic hit man do, under this more sophisticated imperial system?

Perkins: Right—and let me start by saying, I’m all for foreign aid, real foreign aid. Billions of people are destitute in this world: 24,000 people die every day of starvation; 30,000 children die *every single day* of curable diseases. On Sept. 11, we lost 3,000 people in a very tragic event, terrible event. But, on that same day, over 50,000 people died of starvation and curable diseases, needlessly. We need to correct that, and we can.

And the book, ultimately, *Confessions of an Economic Hit Man*, is a very hopeful one, that presents alternatives; that shows how we can be the first empire in the history of the world, not to collapse, not to fall, as all empires eventually do, but to turn around and offer the world a truly different system, something that’s never been done before.

And so, this is where we stand today, I think, poised at the verge of doing that. . . .

Typically, there are many different things that we do, but I’d say the most typical one, is that we identify a country that has resources that we covet. And these days, that tends to be oil, although in the case of Panama, it was the canal. It could be many different things. And the economic hit men then work out a deal, whereby the World Bank or the IMF, or a combination of big banking institutions, offers that country a huge loan—let’s say, \$1 billion. And, one condition of the loan, is that a large percentage of it—let’s say, 90% of it—has to come back to U.S. corporations: the ones that we’ve all heard of, the Bechtels, the Halliburtons, the General Electrics, etc. And these companies, then, get paid to build infrastructure in the Third World country, like huge power plants, ports, highways, industrial parks, that primarily serve the very wealthy people in that Third World country. And the poor people get very few benefits, if any, from this. In fact, often, they’re worse off after the infrastructure has been built. But their country is left holding a huge debt. Which means, in the process of paying off that debt, the poor people don’t get their health care, and food, and other social services that they should be getting.

In addition, the country’s in such a position, and owes so much money, it can’t possibly pay off the debt. And so, when we want those resources from that country—it could be a UN vote, or it could be we want that country to send troops in support of us to Iraq—but primarily, it’s resources, like oil. So, when we want that country to sell us oil, we say, “Look: You owe us all this money. You can’t pay your debts. So, as an alternative, sell your oil; sell your Amazon rain forest; sell your environment with all its oil, off to our

oil companies at a cheap price.”

And that’s really the way the economic hit men have built up this global empire. And we’ve done it very successfully all over the world. But, mostly in countries that have resources that we covet.

EIR: Back around 1974-75, there was actually a formal doctrine that was promulgated—Henry Kissinger, and I presume, Shultz, were key players in this. It was called National Security Study Memorandum 200. And, in that document, using the Cold War as the pretext, Kissinger said that the strategic raw material wealth of the Third World is so vital to the United States’ and the Western alliance’s war against Communism, that it was a national security matter for the United States to assure population reduction in these countries, because if these countries developed, and prospered, and had expanding populations and modern economies, they’d deplete these raw materials which were urgently needed to fight Communism.

It was many, many years before this document was released publicly. Now, it’s declassified and not exactly widely known, but known among a certain group of people. And I think that you’ll probably find that there’s a certain receptivity and response to what you present in the book, because documents like this have been now percolating around, and there is a sense of exactly what you’re describing in this economic hit man system.

Perkins: Yes, it’s amazing what goes on, at the highest levels of the “corporatocracy”—government, big business, and big banking—that we Americans are blind to.

I’m struck as I travel around the world—I just came back from India and Tibet a couple of months ago, and I travel to South America, I travel around quite a lot, and I’m always struck by, how, in so many other countries, even relatively illiterate people are suspicious of their governments. They believe that corruption occurs at the highest levels, and they believe that our government is corrupt. And that’s one of the reasons that they overthrow governments frequently. We call these “banana republics,” but in fact, some of it is done very democratically.

In our country, we tend to accept things at face value, what our leaders say. And I think it’s very important that we stop doing that. I think it’s very important that we question.

That is really the basis of a democracy, when people question their rulers. And it doesn’t have to be done in a negative way. It’s terrible when people who question their government are called “traitors.” Because that’s what the democratic system is all about: We need to constantly question these people. We need to constantly question the heads of the corporations, the heads of the banks—all of these people. We need to look beneath the surface.

The document you’re referring to, the Henry Kissinger document, is a very good case in point. And what’s going on, at the highest levels of government, that we are so unaware of—and need to be more aware of: We need to demand that

these things are brought out into the open sooner.

It's our country and our tax dollars, you know! It's our right to make those demands, and now we need to start exercising that right.

EIR: We were speaking, before we began this interview, of the antecedents of this system, that you've described so eloquently in your book. I mentioned, for example, the historical roots of some of these principles of this new imperialism and the efforts of the British East India Company and some of the agencies that we actually fought the American Revolution against, but which now, unfortunately, seem to have "morphed" into the American System, as a kind of takeover by its opposite. I wonder if you had some thoughts about that.

Clearly the United States has become chief enforcer, but many of these ideas are in fact very alien to the tradition on which this country was founded, which means that perhaps we've got some deeper roots we can reach back to, to defeat this enemy.

Perkins: Yes. Our roots, definitely, defeat this enemy. We have become what we fought against in the American Revolution. We have become that, to much of the world. And a lot of people living in England in the 1770s probably would talk very much like we are, or a majority of our people are today—they weren't aware of what the British Empire was doing overseas. They were simply aware that they were living relatively comfortably, compared to most other people in the world at that time. And so, they carried out their jobs. We're doing the thing. We're blind.

It took people who were willing to stick their necks in the noose: the George Washingtons, the Thomas Paines and Thomas Jeffersons, John Hancocks, and the signers of the Declaration of Independence, to show the world what the British Empire really was like, and what imperialism and colonialism truly was about. Now, these people who we now look at—George Washington, you know we see pictures of him all over the place, and he looks quite stately, and he looks like he's living a comfortable life and all (which he was, after the Revolution). But we have to remember that those men who signed the Declaration of Independence were terrorists! They were traitors! They were performing treason. They would have been hanged, had they lost the Revolution, because they were defying their government.

And now, we've basically turned our own country into something not unlike the British Empire, but a lot subtler—and, perhaps, in that respect, maybe even more dangerous, because it isn't our armies that have created this empire, for the most part. It's this very subtle form—it's our taxes, it's our economic hit men.

And we need to reverse that process. My book is ultimately an extremely positive book. It tells the shadow side of foreign policy, but it leads up to the current time, when I truly feel that this prophesy that I mentioned before, of the indigenous people: We are in this time now, of tremendous

opportunity for change. And, all empires collapse. This one will collapse, too, if we continue on this path.

The alternative is for all of us to rise up in arms—and I don't necessarily mean it has to be done violently, physically violently—but we really need to express ourselves. We really need to bring these "corporatocracy" people to task. We really need to make sure they don't get away with this any more.

You know, we've done it before. In the late 1800s, there were the Robber Barons. The Democratic Party brought William Jennings Bryant to power as their nominee for President, and he ran on a ticket opposing the Robber Barons. He lost the election. But when Teddy Roosevelt became President, about a decade later, he implemented many of those policies, including the Sherman Anti-Trust Laws. And the corporate barons were basically put aside. It happened again, in the 1920s—the corporations came to power again, and actually that resulted in the crash of '29. And then the New Deal came along, another Roosevelt came along, and once again, the corporations were put back under, to a certain agree.

They've risen up again. It's time, now, that we bring them to task once again, that we take responsibility, each of us. It has to come from the grassroots, and that we take this country back. And that we spread this message throughout the world: That we are, who we say we are. That we believe in the American dream, and we believe in it for all of the world. And I'm not talking about one-world government, I don't believe in that. But I am talking about creating a world, where *everybody* has the "right to life, liberty, and the pursuit of happiness."

EIR: . . . Is there any plan for the book to be published overseas, in other languages? I think this is a universal story that must be told, and particularly that must get out in some of the very countries that have been the worst victims of this system.

Perkins: I understand that my publisher has recently sold the rights to a big German company that publishes in German, and I expect that it'll be published in other languages, and my publisher has the right to the other languages, and I know is actively pursuing that. So, I have every reason to believe it will be. My other books have been published in about 14 languages, and they're on indigenous people—you know, a much less appealing subject to such a large group of people; the indigenous people are more appealing to a smaller reading audience. So, I think this one will probably get out there, too. I certainly hope so.

EIR: I want to thank you again for your time and for your efforts. We look forward to seeing a lot more feathers flying around as the result of your book being published and circulated widely.

Perkins: Well, I hope they're not my feathers! But, thank you very much. I very much appreciate all that you guys are doing, and keep doing it.

Flattened by IMF, Ukraine In Geopolitical Crosshairs

by Rachel Douglas

Economic globalization and geopolitics have come together in Ukraine, with deadly results for the people of that nation and danger for the rest of the world. The political strife that gripped Ukraine during this year's Presidential election and has paralyzed Kiev since the inconclusive run-off vote of Nov. 21 (which is unresolved at this writing), is not the clash of "Western, Europe-oriented" Ukraine vs. "Eastern, Russia-oriented" Ukraine, as depicted in the mass media. It is rooted in the economic devastation, experienced at the hands of the International Monetary Fund (IMF) during the 13 years of Ukraine's independence, and it has been shaped from the outside using "regime-change" techniques, honed in Yugoslavia and Georgia during the past half-decade.

The U.S. side of this foreign meddling in Ukraine, involves both Republican neo-conservative circles, and the clique of Zbigniew Brzezinski and Madeleine Albright, operating as Democrats. (See Lyndon LaRouche's warning, "Stop Brzezinski's Dangerous Meddling in Ukraine," p. 45.)

The trashing of Ukraine's economy was also imposed from the outside, by U.S. and European agencies and international financial organizations, which insisted on radical deregulation and privatization as the first criterion of "democratization." Entire squadrons of the "economic hit men," profiled in this issue of *EIR*, invaded Ukraine in the 1990s. Their foremost victim was Ukraine's greatest economic asset: the labor power of its highly educated, skilled, and cultured population.

When Ukraine declared independence from the Soviet Union in August 1991, it was a nation of 52 million people. Since then, the population has fallen to 48 million. Five to seven million of them work outside the country as low-paid guest workers in Russia and Western Europe, including tens

of thousands of women and girls lured into human trafficking and prostitution networks. A country with the highest education level in the world at the end of the 1980s, Ukraine has experienced an influx of narcotics and now has Eurasia's highest rate of HIV infection.

What could be more cruel, and reckless, than to play such a nation as a geopolitical pawn?

A New Domino Theory

As controller of Jimmy Carter's foreign policy from his post as National Security Advisor, Zbigniew Brzezinski was infamous in the 1970s as author of the "Afghan mujaheddin" strategy to fan Islamic radicalism as a weapon against the "soft underbelly" of the Soviet Union. The resulting new movements are known to the world today as "international terrorism."

Brzezinski remains obsessed with cutting Russia down to size. His 1997 book, *The Grand Chessboard*, envisioned a Russia fractured into three new entities. Siberia, with all its resources, would no longer be under Moscow's control.

On his chessboard, Brzezinski allotted Ukraine a special role: "Ukraine, a new and important space on the Eurasian chessboard, is a geopolitical pivot because its very existence as an independent country helps to transform Russia. Without Ukraine, Russia ceases to be a Eurasian empire. Russia without Ukraine can still strive for imperial status, but it would then become a predominantly Asian imperial state, more likely to be drawn into debilitating conflicts with aroused Central Asians, who would then be resentful of the loss of their recent independence and would be supported by their fellow Islamic states to the south. . . . However, if Moscow regains control over Ukraine, with its 52 million people and



Campaign posters for Ukrainian Presidential contenders: current Prime Minister Viktor Yanukovich (left) and former Central Bank chief and Prime Minister Viktor Yushchenko. What's needed is for a political figure to step forward and provide real leadership for the good of the nation as a whole.

major resources as well as its access to the Black Sea, Russia automatically again regains the wherewithal to become a powerful imperial state, spanning Europe and Asia.”

Before engaging in such breezy chatter about what should happen to Ukraine, Lyndon LaRouche suggests that Polish aristocrat Brzezinski would do well to go back and read in Nikolai Gogol’s *Taras Bulba*, the brutal account of what the Ukrainian Cossacks did to the Polish *szlachta* nobility, who mistreated them in the 17th Century.

Throughout 2004, the reckless Brzezinski has been hyper-active on behalf of a “Project Democracy” revolution in Ukraine, as the necessary next step in converting Russia from an empire into a medium-sized nation, no longer one of the world’s great powers.

In a May 2004 speech, titled “Ukraine and the World,” Brzezinski told a Kiev University audience that Ukraine should be the linchpin of a third round of NATO’s eastward expansion. On Nov. 24, he intervened at an American Enterprise Institute seminar in Washington, D.C., which was hastily organized in the wake of the inconclusive Ukrainian Presidential election, to proclaim, “We are at a historic moment,” because “if democracy succeeds in Ukraine, then Russia must move toward the West.” At the American Enterprise Institute, and in a Dec. 1 *Wall Street Journal* article, Brzezinski attempted long-distance micromanagement of the Ukraine crisis: He offered lifetime financial security for outgoing President Leonid Kuchma, as an inducement for Kuchma to abandon his preferred candidate, Prime Minister Victor Yanukovich, and to recognize opposition leader Victor Yushchenko as the new President.

It is no secret, that Brzezinski’s words have oodles of American government money behind them. Enormous funding for regime change in Ukraine has been channelled into non-governmental organizations (NGOs) there, through Project Democracy’s flagship National Endowment for Democracy and its party-linked offshoots, the National Democratic Institute and the International Republican Institute; this was augmented by the private-sector spending of George Soros’s Open Society Institute and the Cold War relic, Freedom House. The London *Guardian*’s Ian Traynor, in a Nov. 26 article, gave an estimate of \$14 million for U.S. spending on the Ukraine project.

European publications, including the *Guardian* and the French *Reseau Voltaire*, have exposed how this Project Democracy funding aimed to apply in Ukraine, lessons learned during the overthrow of Slobodan Milosevic in Yugoslavia and Eduard Shevardnadze in Georgia. Personnel from the Belgrade Center for Non-Violent Resistance, Western pollsters, and media consultants were all involved in packaging the Ukrainian opposition campaign—down to the level of what slogans to use and the flashy orange color of Yushchenko’s banners. Activists from the Yugoslav youth movement “Otpor” helped to train a new formation called “Pora” (“It’s time!”) in Ukraine, as they had helped to create the “Khmara” movement to bring Michael Saakashvili to power in Georgia.

Savaged by the IMF

It is no wonder that people in Ukraine are anxious for profound change. The economic dimension of foreign med-



Zbigniew Brzezinski has maneuvered to destroy the industrial capability of Ukraine, under the guise of "democratization," as a way of cutting down Russia's strategic influence on his geopolitical chessboard.

dling began immediately after Ukrainian independence. As in Russia, help from the West for post-Soviet "democratization" and "transition to a market economy" came in the form of deadly poison, administered by the IMF and associated government and private-sector advisors from abroad. Their message: Democracy means deregulation, privatization, free trade, and globalization.

Ukraine had had no foreign debt at all, because Russia had assumed the debt obligations of the Soviet Union. But the economic advisors to the new government quickly brought the IMF in, anyway, and borrowed \$400 million in 1992. By 1997, the debt was \$9.7 billion. In a 1995 interview with *EIR*, economist Natalia Vitrenko explained what happened:

"Ukraine joined the IMF almost immediately upon achieving independence. The preparatory work had been going on for a long time beforehand, in the framework of the former Soviet Union, under Gorbachov. . . . In 1992, the government of Ukraine officially signed its first memorandum of understanding with the IMF, where it assumed the obligation to implement the prescription the IMF would recommend. It was written that there should be decontrol of prices, the exchange rate, foreign economic activity, privatization—at stunning rates. All of this was signed and promised to the IMF, against the credits to be received."

Some of the credits were pilfered by government officials, Vitrenko reported, some were used for buying fuel, and none invested: "The credits were used for current incurred costs, to pay bills for oil and gas. . . . This is an illiterate use of credit, from an economic standpoint. We will never have enough credits, if we constantly use them to pay Russia for growing volumes of fuel."

Under this IMF formula, Ukraine had nine straight years

of negative economic growth. Its heavy and high-tech industries, formerly part of the core of the Soviet military machine, were gutted. By 1995, Ukraine had lost 50% of its industrial capacity and 30% of its agricultural output. Machine-tool production, the engine of an industrial economy, contracted by a factor of 15 in 1992-1997.

Out of 22 million jobs, 8 million were lost or cut to part-time, during the first five years of independence. Pension and minimum wage levels hovered around \$25 per month. Skilled scientists emigrated. Still today, when superficial GDP and other statistics show growth in Ukraine, 80% of the population lives below even the lowest definition of the poverty line.

"The deindustrialization, the de-intellectualization, and the degradation of Ukraine," Vitrenko said in 1995, "all can be attributed to the recommendations of the IMF, since it is they who proposed to us, as the means of reform, to decontrol prices, to liberalize currency exchange, to deregulate foreign economic activity, and to have forced-march privatization. The IMF, together with the Soros Foundation, trained the personnel who came to carry out these policies."

In politics, Natalia Vitrenko's Progressive Socialist Party of Ukraine advocates very close ties with Russia. But honest economists from other political tendencies, which emphasize Ukraine's independence from Russia over the closeness of the two countries, have documented exactly the same etiology of the economic depression.

Schillerian Solution? Only on a World Scale

There was no obvious "good guy" in the Nov. 21 run-off. The Ukrainian political scene is deeply infected with a heavily criminalized clan structure, which—as in Russia—arose during the privatization of industry in the 1990s. Thus, Prime Minister Yanukovich and President Kuchma are tied up with the industrial clans of eastern and southern Ukraine, which are, in turn, closely interwoven with Russia's so-called "oligarchs," the *nouveaux riches* business magnates.

Yushchenko, for his part, was Central Bank chief throughout the destructive years of the 1990s. When he became Prime Minister, in 2000-01, privatization accelerated, as did the amassing of criminal fortunes. Speaking at a Carnegie Endowment forum on Ukraine in 2001 (where he shared the dais with Freedom House President Adrian Karatnycky), radical free-trader Anders Aslund hailed the acceleration of privatization in Ukraine in 1998-2001, asserting that "dirty privatization is better than no privatization."

Yushchenko brought energy executive Yulia Tymoshenko, who today is his ally and the most aggressive opposition leader, into the government as Deputy Prime Minister. Responsible for Ukraine's energy sector, Tymoshenko oversaw the sale of several power plants to the U.S.-based AES company, an energy shark and asset-stripper par excellence. She protests that her subsequent imprisonment on bribery charges was a political frame-up by the Kuchma regime,

LaRouche: Stop Brzezinski's Meddling in Ukraine

Lyndon LaRouche issued a statement on Nov. 29, warning President George Bush that, unless he wants to see the current crisis in Ukraine trigger the final collapse of the dollar system, he had better use his position to keep Zbigniew Brzezinski, Madeleine Albright, and Richard Holbrooke as far out of the picture as possible. The gang that made a mess out of the Balkan situation during the 1990s—Brzezinski and his protégés—is now meddling in Ukraine.

LaRouche emphasized that the U.S. government is going to have to work with European nations and with Russian President Putin, to avert the total destabilization of Ukraine or, even worse, its break-up. From the standpoint of Western Europe, Ukraine's descent into chaos would disrupt nearly one-third of its natural gas and oil supply, which is delivered from Russia through pipelines that cross Ukraine. From the standpoint of U.S. interests, it doesn't take a genius, LaRouche emphasized, to realize that an eruption of chaos in Ukraine at the moment that the global, dollar-denominated financial system is disintegrating, must be avoided at all costs. This, LaRouche added, means reining in Brzezinski.

Ultimately, LaRouche continued, Ukrainians must come up with their own solution to the unfolding crisis. Their primary allies in this effort are going to have to be the European Union and Russia. But the real decisions have to be made by internal forces within Ukraine.

LaRouche said that, as a leading world figure, with

many friends in Ukraine, in Russia, and in Europe, he sees it as his responsibility to speak out now, to address President Bush and call on him to make sure that the Brzezinski menace factor is removed from the equation. American-Russian relations have already suffered from Brzezinski's interference in the North Caucasus, notably Chechnya. The United States and the countries of the European Union have a shared vital interest in the stability of the entire territory of the former Soviet Union, in which Ukraine is of particular significance, as the energy crossroads between Russia and Europe.

LaRouche reminded the world about Madeleine Albright's now infamous boasting, at a New York City conference of the Institute of International Education, where she described herself, proudly, as a "Wellsian democrat," a reference to H.G. Wells' *Open Conspiracy*, promoting an Anglo-American-led one-world government. Albright's "Wellsian democracy," and Brzezinski's obsessive-compulsive behavior against Russia typifies the Democratic Party side of a problem that has infected the American political scene since Samuel Huntington's 1975 *Crisis of Democracy* launched Project Democracy. This crowd poses a major danger to the vital security interests of the United States and Europe, as the dollar is nose-diving, LaRouche said.

LaRouche emphasized that Ukrainians must, ultimately, sort out their own problems on the basis of their national interest and national purpose. They must create a national mission, which aims to establish a durable nation, which seeks to benefit all of its people and all of its regions. They must create an environment of opportunity, and we must aid them in whatever way we can, he said.

but even Matthew Brzezinski (son of Zbigniew) reports in his 2001 book, *Casino Moscow*, that Tymoshenko made billions of dollars from the patronage of Pavlo Lazarenko, the mid-1990s Ukrainian Prime Minister, who has been convicted of money-laundering in Swiss and U.S. courts, and is currently serving time in the United States.

So far, Yushchenko's "Our Ukraine" movement promises "the rule of law" and "civilized" standards of official behavior, but has offered no fundamental shift in its commitment to the very economic policies that ruined Ukraine. Yushchenko has done nothing to unearn the *Wall Street Journal's* endorsement of his campaign.

In Friedrich Schiller's last (unfinished) play, *Demetrius*, set in Russia during the early-1600s "Time of Troubles," the boyar Boris Godunov and Grigori Otrepyev, a young monk who has accepted Polish money to seize Moscow and proclaim himself the true son of the late Tsar Ivan the Terrible, contend for the Russian throne. In his notes on the play, Schil-

ler writes that either one, the usurper or the pretender, could have become the legitimate ruler of Russia, *had he exerted true leadership*. Neither did. Nor did the population rise to the challenge, as Alexander Pushkin, in his play on the same subject, said with the famous, tragic stage direction, "The people are silent."

In Ukraine today, a compromised background does not preclude one of the country's political figures stepping forward to provide real leadership. The country still has the industrial and intellectual resources, to play a great role in reconstruction of the national economies of Eurasia. On the basis of mobilization for projects in the common interest, the tension along Ukraine's complex religious, linguistic, and cultural fault lines could ease. For that, it needs a fundamental shift in the axioms of economic policymaking—by Europe, by the United States, and by Russia. And the last thing Ukraine needs, is instruction from Zbigniew Brzezinski on its assigned function in his geopolitics.

LaRouche Warns: Bush Is on Autopilot for Korea Conflict

by Kathy Wolfe

South Korean President Roh Moo-hyun and Chinese President Hu Jintao have just warned George Bush and Dick Cheney, in strong terms, not to start a war in Korea. But Bush is almost on “auto-pilot” for military confrontations worldwide, American Democratic leader Lyndon LaRouche said Dec. 1. The Administration’s first strike doctrine, and insane actions globally, must be stopped, he said, or no one is safe—Korea least of all. “Bush probably could not find North Korea on the map, but he is, for the moment, nonetheless determined to bomb it,” LaRouche said.

In a blunt speech to the Los Angeles World Affairs Council Nov. 12, which elicited a State Department protest, President Roh ruled out South Korean cooperation with any U.S. military action, even as a negotiating bluff. “It is too much to ask of the Korean people, who have risen from the ashes, to submit to the risk of a war again,” Roh said. “Even now, half a century later, the pain of the Korean War is still felt. . . . Due to this, the utility of the use of force is limited, even as a negotiating strategy. . . . In the end, there is no other way, other than dialogue.”

Mr. Roh also for the first time said that “it is quite understandable” that North Korea claims to need nukes to defend itself against U.S. attack, while Washington insists on its first strike option. The U.S. must give up the doctrine and join with Asian powers to “guarantee North Korea’s security and give it a chance to overcome its plight through reform,” Roh said.

Chinese President Hu Jintao and Roh then told Bush in person, that no discussion of military action, or even embargo, can be allowed, at the Santiago, Chile APEC meeting Nov. 20. “We must have a resolution through dialogue, to maintain peace and stability,” Hu said. “The nuclear issue on the Korean Peninsula is complicated, and all parties concerned should show patience, flexibility and sincerity in resolving it.” Bush issued joint statements with both Hu and Roh Nov. 20, vowing to stick to peace.

Roh, after making his case to 13 Asian heads of state at their Nov. 30-Dec. 1 summit in Laos, toured Europe Dec. 1-7 to repeat the message, and was widely feted.

Insults and Rebellion

Yet, in closing APEC Nov. 21, Bush insulted North Korean leader Kim Jong-il in public, “just as Ronald Reagan demanded Soviet President Gorbachov must dismantle the

Berlin Wall,” as the *New York Times* put it. Bush said he had told the Presidents of China, Korea, Russia, and Japan, that Pyongyang must return to peace talks, despite Washington’s threat to give them the “Iraq treatment.”

“I can report to you that having visited with the other nations involved, that the will is strong, that the effort is united, and the message is clear to Mr. Kim Jong Il: ‘Get rid of your nuclear weapons.’ ” Bush said.

But the more Bush makes personal threats to North Korea’s leader, the more Kim must tend toward a hard line, to save face before his senior military chiefs—and the more things veer out of control.

Richard Armitage, the U.S. Deputy Secretary of State who is departing in January with Colin Powell, warned Nov. 30 that the storm must be defused by reconvening the Six-Party Korea peace talks in December or early January. He told Japan’s *Yomiuri News* that there is rebellion across Asia against the Bush policy. If the U.S. doesn’t speed up peace talks, the Chinese and South Koreans will escalate their demands that Washington “do something new” to offer concessions to Pyongyang, he said.

Armitage said he hoped talks could restart this month or next, but this was dashed by top Chinese and Japanese officials Dec. 2, who said there is no sign that North Korea is ready to talk, while Washington is so hostile.

In Honolulu Nov. 22 and Vientiane, Laos, Nov. 28, South Korea’s Roh and his Foreign Minister claimed that Bush has given up the option of force since meeting Roh in Chile. “Now, we’ll have full-scale dialogue” said Roh in Hawaii, since Bush has “clearly stated that the international community will embrace North Korea and the North will get the security guarantee” once it gives up its nuclear weapons. In Laos, Roh told 13 Asian heads of state that “Bush fully agreed” to give up all use of force, while Foreign Minister Ban Ki-moon asserted on TV: “Yes, the possibility is ruled out.”

Chinese Premier Wen Jiabao, Japanese Prime Minister Junichiro Koizumi, and President Roh also issued a joint “action statement” at the Laos ASEAN Plus 3 summit Nov. 29, vowing to work “for peaceful de-nuclearization of the Korean Peninsula through Six-Party talks.”

Japan should be wary of imposing economic sanctions on North Korea, over its failure to adequately explain Pyongyang’s 1970s abductions of Japanese citizens, or because of its missile and nuclear programs, Tokyo’s ruling Liberal

Democratic Party Secretary General Tsutomu Takebe also cautioned Nov. 29: “We must be careful not to become emotional on this issue . . . we must find solutions by peaceful discussion in the Six-Party talks.”

Dangerous Dummy

Unless a major shift is orchestrated on the world stage, however, making peace proposals to Bush now is wishful thinking, LaRouche said, comparing it to “the mathematician who is convinced he has impregnated his girlfriend, the plastic dummy.” Bush’s brain is “not a fertile field” for reasoned ideas just now, he said. Only a global political shift which dislodges the Bush/Cheney grip on U.S. policy (such as a collapse of the dollar) could provide the leeway to resolve the Korean crisis.

If arch neo-con John Bolton is appointed as Number 2 at the new State Department in January, demands to embargo North Korea as a terrorist state, and push confrontation could increase. “There is concern that North Korea, in a desire for hard currency, would sell weapons-grade plutonium to terrorist organizations,” Gen. Leon LaPorte, U.S. military chief in South Korea, said Nov. 19 in Seoul, and “that would be disastrous for the world.”

LaPorte, not normally an alarmist, said that Pyongyang may have harvested plutonium from 8,000 spent nuclear fuel rods, as they claim, to yield enough for several atomic bombs. “An additional concern the international community shares is that North Korea is a known missile proliferator,” he said.

In fact, at the Chile APEC meeting, an anonymous senior American official (which usually means a neo-con) said that no security guarantee could happen until North Korea returned to the bargaining table. Bush put “especially harsh pressure on the South Koreans,” the official said. “Mr. Bush was clearly concerned that South Korea’s President Roh might diverge from the American strategy, and offer the North more aid and investment even before it agrees to surrender its weapons.”

The APEC talks, meant to focus on the economy, were in fact overwhelmed by Bush’s “war on terror” rhetoric and his attempts to stampede the two-dozen world leaders gathered in Chile, into hard-balling Iran and North Korea. Many leaders were not amused. New Zealand Prime Minister Helen Clark warned that the anti-terrorist campaign must include a resolution to the Palestinian question and involve a broader coalition. “It is not in the interest of our planet to have a proportion of the Muslim world deeply alienated from the West,” she said.

Regime Change, Again

The neo-cons meanwhile have heated up propaganda calls to overthrow North Korea’s government since Bush’s public attack on Kim Jong-il. *New York Times* Asia hand James Brooke Nov. 22 quoted Japanese ruling party secretary general Shinzo Abe predicting “regime change” in the North, in a feature which begins, “cracks are starting to show in the



South Korean President Roh Moo-Hyun warned the U.S. not to expect military cooperation from South Korea in any action against North Korea. He also ruled out the use of force “even as a negotiating strategy . . . there is no other way, other than dialogue.”

Kim family’s control over North Korea after nearly 60 years.” Kim’s portraits are being removed from public buildings “to head off a military coup fomented by China,” Brooke even alleges. He writes that Beijing is fed up and is harboring an opposition government of North Korean military brass defectors.

But “this is not the time to work out a scenario for North Korean instability,” Japan’s *Asahi News* senior analyst Yoichi Funabashi warned Nov. 30, reviewing the rumors. As for claims that China is harboring North Korean military defectors, he notes, the real danger is that Bush’s recent North Korean Human Rights Act “may encourage the trend” by spending \$20 million to fund illegal NGOs (non-governmental organizations) operating in the North to encourage refugee flows, and off-shore Voice of America attacks.

“The greatest wall against a settlement is the North’s failure to make a ‘strategic decision’ to give up its nuclear program—and the U.S. failure to make a ‘strategic decision’ for peaceful coexistence with North Korea,” he points out. As long as Washington refuses to coexist with Pyongyang, a settlement “could become even more difficult.” If North Korea’s regime grows unstable, such that Kim can’t make decisions, it will be “a nightmare sure to give everyone insomnia,” he warns.

Harvard’s top East Asia specialist Professor Ezra Vogel meanwhile warned, in a startling *Asahi News* interview Nov. 22, that Bush’s broader support for confrontations everywhere, could cause a world war between Japan and China. Japanese Premier Junichiro Koizumi “is now pursuing a very dangerous policy with China,” the staid Vogel warns, by provocations such as his war shrine visits. If Koizumi proceeds on his “Bush track,” then “the consequences for peace and stability in Asia are very serious. I doubt that most Washington policymakers are fully aware of the danger of heightened Sino-Japanese tension,” he said.

“Washington no longer thinks in broad global terms, or takes a long-term perspective. A heightening of tension between China and Japan would dwarf some of the intense but much smaller-scale ethnic conflicts around the world.

“American people supported Bush because they want to feel safer,” he says, but “the question should be not only ‘How many terrorists have we killed?’ but ‘How many new ones are we creating?’ ”

UN Brands Afghanistan a 'Narco-State,' As Washington Looks the Other Way

by Ramtanu Maitra

Yet another bumper opium crop in Afghanistan in 2004 has begun to drown out Washington's various loud claims that it has achieved significant economic successes in that country in the last three years. With the harvest of raw opium measuring close to 4,600 tons, Washington has indeed come under pressure from the United Nations, Britain, and other European nations, urging the United States to make an effort to end the deadly menace.

On Nov. 18, the UN distributed the just-published report which concluded that Afghanistan is on its way to becoming a "narco-state," and that U.S. and NATO forces in the country should get involved in fighting the drug trade as well as terrorists.

"It would be an historical error to abandon Afghanistan to opium, right after we reclaimed it from the Taliban and al-Qaeda," said Antonio Maria Costa, executive director of the UN Office on Drugs and Crime.

The report also said that opium is now the "main engine of

economic growth, and the strongest bond among previously quarrelsome peoples." It valued the trade at \$2.8 billion, or more than 60% of Afghanistan's 2003 gross domestic product.

Action Overdue

None of this may seem surprising to those of you who have been reading the *EIR* over the last three years. Opium had always been cultivated in Afghanistan. But never before, except in 1998 and 1999, has the cultivation of opium been so extensive as it was during the years 2002, 2003, and 2004—the years the Americans wrested "control" of Afghanistan from the Taliban following its spectacular military victory over the militia in the Winter of 2001.

The intrinsic linkage among the drugs, drug money, weapons, militia, warlordism, and terrorism has been pointed out a number of times in this magazine. After the Oct. 9 Presidential election, which was handcrafted by Washington with due help from Islamabad, the UN Office on Drugs Crime has come on strong, declaring it would be an "historical error" to abandon the nation to opium. It also pointed out that one in ten Afghans is now estimated to be involved in this dangerous business.

The UN agency found that this year's cultivation of opium—the raw material for heroin—was up by nearly two-thirds. Bad weather and disease kept production from setting a new record, although it still accounted for 87% of world supply, up from 76% in 2003.

U.S. Did Nothing

This opium boom indicates that the United States did not do anything to reduce the drug menace. In fact, most observers note that the United States had actively sought cooperation of those warlords who were knee-deep in the drug trade. There was no "information gap" or a failure of the CIA that led to this state of affairs. It was an accepted policy adopted to



With a bumper crop of opium in Afghanistan this year, Washington is coming under pressure to finally stop its pragmatic deals with the "anti-al-Qaeda" opium warlords, and do something to stop the drug production. Afghanistan produces 87% of the world's supply.

achieve short-term gains and, in essence, to push Afghanistan another step closer to the precipice.

Why, then, was this policy adopted? There could be a number of reasons that Washington adopted the policy to encourage drug production, the most important of which is to get the support of those who have muscle and power to fight the Taliban. It is widely acknowledged that the Afghan regime, constituted of disparate elements who have seldom agreed on any one issue, did not have its writ beyond the capital city of Kabul. The rest of Afghanistan is under the loosely controlled regime of warlords. While most of these warlords are dependent on opium to bankroll their militias, only a handful, such as Ismail Khan, Governor of Herat, are not. Ismail Khan's financial strength came from collecting taxes from the traders who were bringing in goods from Iran through Herat.

But, Herat was not a Taliban stronghold. Southern, south-eastern, eastern, northeastern, and northern Afghanistan's strongmen are all opium warlords. Washington, Islamabad, and Kabul worked with all of them to "get rid" of the Taliban militia and other "Islamic fundamentalists." Was the anti-Taliban alliance a drug producers' crusade? It is difficult to assess.

Washington's dalliance with drug warlords has raised quite a few eyebrows in Europe. Most of the heroin peddled on the streets of Europe is from Afghanistan.

British Foreign Office Minister Bill Rammell, whose country is leading the counter-narcotics effort in Afghanistan, had said in an interview with the *Financial Times* back on Feb. 18, 2002, that there was an international commitment to support the Afghan government in its fight against the narcotics problem.

He had said then that "the U.S. and United Nations have ignored repeated calls by the international anti-drug community to address the increasing menace of Afghanistan's opium cultivation, threatening a rift between Europe and the U.S. as they begin to reconstruct the country."

The *Financial Times*, quoting an unnamed diplomat, said the European governments believe one of the reasons the United States is "out to lunch on the issue," is that Afghan heroin is not a significant player in the U.S. drug market, accounting for less than 5% of consumption. Colombia, he said, was the focus of the U.S. anti-drug campaign. This is in sharp contrast to Europe, where Afghan heroin is viewed as a main source of the region's trade in hard drugs.

U.S. Nexus With Warlords

It is also difficult to assess when exactly Washington forged its ties with the warlords in order to oust the Taliban militia. It is to be remembered that a number of warlords were guerrilla commanders who had fought against the Soviet invaders in the 1980s. *Jane's Intelligence Weekly* wrote on Oct. 22, 2001, that in the non-Taliban areas of northeastern Afghanistan, "heroin refineries—generally run by chemists

Poppy-Growing Areas in Central Asia



from the Mashriqi region of southeastern Nangarhar province—operate under the protection of local commanders." The Mashriqi region is that of Haji Abdul Qadir, Haji Mohammed Zaman, and Hazrat Ali.

Hazrat Ali was one of the main local commanders directing the ground forces attacking the Tora Bora cave stronghold in search of Osama bin Laden during the first phase of the U.S. invasion. Haji Mohammed Zaman bitterly opposed the U.S. bombing of villages under his control. Later, a local *loya jirga* (council), convened under control of Haji Abdul Qadir's eastern *shura*, requested the end of the bombing campaign.

Some local observers claim that the United States struck a deal with Hazrat Ali, allowing him to resume his former drug ties in exchange for his collaboration against al-Qaeda.

Mansoor Ijaz, a Pakistan-born member of the Council on Foreign Relations in New York, wrote in the *Los Angeles Times* on Nov. 12, 2001 about the importance of securing the cooperation of local warlords in ousting al-Qaeda from its caves:

“Now that the Northern Alliance has captured Mazar-i-Sharif, the U.S.-led military campaign soon will test how much of the effort can be entrusted to its Afghan allies on the ground and how much of it U.S. forces will have to take up themselves. The willingness of northern Afghan warlords to wage the grueling ground battles needed to smoke al-Qaeda from its caves, will test Afghanistan’s historical tendencies to shift allegiances without notice,” Mansoor Ijaz surmised.

Mansoor Ijaz’s article, and the recruitment of Hazrat Ali, Haji Abdul Qadir—who was later killed in Kabul in 2003 on his first day of work as one of the vice-presidents to the interim Afghan President Hamid Karzai—and Haji Mohammed Zaman by the U.S. troop commanders in the first phase of battle against the Taliban, suggest that it was decided at the outset of the campaign that the United States should avail itself of all the help it could get. No one who is willing to support the United States against the Taliban, should be turned away from receiving Washington’s favor just because the individual is a drug producer or a drug trafficker.

The logic, however, was extended even further. In the later part of 2003, and the entirety of 2004, these warlords were allowed to get fatter and stronger using billions of dollars of opium and heroin money. In other words, Washington told President Karzai to befriend these drug warlords for his survival and to protect the U.S.-led anti-Taliban campaign.

With the Presidential election over, and the Taliban considered a spent force, it is getting increasingly difficult for the United States to justify its continuing close relationship with the drug warlords.

Empty Rhetoric

At the Berlin conference on Afghanistan in April 2004, President Karzai called on the Afghan farmers to fight opium production with the same commitment as they would fight for a *jihad*—a holy war. Karzai has promised the international community to eradicate 25% of the crop in 2004, but experts and observers consider this an optimistic aspiration when the limitations of the national eradication strategy are considered.

At the same time, Washington cannot ignore Moscow’s vocalized anger about the proliferation of Afghan drugs. On Aug. 28, 2003, the *Moscow Times* reported that Russian deputy drug control chief Alexander Mikhailov was bitterly complaining of a rising tide of heroin from Afghanistan that had swept through Russia, with drug traders quickly spreading their operations across the country’s 11 time zones and distributing drugs among young children.

“A heroin attack from the south has become the most acute problem for us,” Mikhailov told reporters in Moscow. During the first half of this year alone, Russian border guards have confiscated 2.9 tons of drugs, half of it heroin. That accounts for roughly 10% of the actual flow, Mikhailov pointed out.

Russia has between 3 million and 4 million drug users out of a population of about 145 million, and the consumption of

heroin has jumped 23 times between 1998 and 2002, Mikhailov said. About 70% of heroin in Russia originated in Afghanistan, which accounts for about three-quarters of the world’s opium, the raw material for producing heroin. While Moscow, St. Petersburg, the Baltic enclave of Kaliningrad, and Yekaterinburg remain the main drug hubs, many small and medium cities have also developed a drug habit, Mikhailov said.

The UN report on the opium explosion in Afghanistan came on the heels of the U.S. announcement that it would undertake a major new offensive against drug production there. According to one estimate, Washington expects to spend an extra \$780 million in the next fiscal year on measures including the eradication of poppies and alternatives for farmers.

Trouble Ahead

U.S. officials describe the new plan as an across-the-board commitment to support the new Afghan government in its battle against the growing drug trade. The subsistence farmers of Afghanistan, struggling to survive, are the important beneficiaries of this cash crop, and are unlikely to heed Karzai’s call voluntarily. Already, violent protests have taken place in different provinces against the government-led eradication program, when it was being implemented by local officials.

Some claim the protests were also the result of the flood of farmers reporting nasty skin infections in parts of eastern Nangarhar province. The farmers allege that their opium poppies were sprayed with poison from the air earlier this month, destroying food crops, and leaving many with “illnesses such as eye and respiratory problems,” according to a doctor at the 20-bed Khogyani District Hospital.

The Afghan government, on Nov. 18, launched a probe into claims that unidentified foreign troops sprayed fields in Hakimabad and neighboring villages in Khogyani, Shinwar, and Achin districts, in one of the country’s biggest poppy-growing regions. But Nangarhar provincial governor Din Mohammed said there was “no doubt that an aerial spray has taken place.” “I don’t know who might be behind this, but you know it is a fact that the airspace of Afghanistan is under the control of the United States,” he added.

In addition, BBC reported in early November on American plans to take some of the largest drugs barons to the United States to prosecute them there. Robert Charles, Assistant Secretary of State for International Narcotics and Law Enforcement, said recently that aggressive eradication would be backed up by a public information campaign, better law enforcement, and perhaps most crucially, real alternatives for farmers.

“You don’t go in and eradicate in an area without making provision . . . for marked up, or added, alternative development resources, or alternative livelihoods,” Charles added.

Whether anyone in the Bush Administration takes this obvious truth seriously, is another question.

International Intelligence

AIDS Spreading like Wildfire, Says UNAIDS

That the AIDS virus is “spreading like wildfire,” was one of a number of alarming warnings from UNAIDS Director Dr. Peter Piot, in connection with World AIDS Day, Dec. 1. Speaking in Washington, Dr. Piot said that the world is “perilously close to a tipping point” in which the virus will “overwhelm the wider world” (that is, the world outside sub-Saharan Africa, which is already overwhelmed with 35 million cases and 2 million deaths yearly from AIDS).

“No country on Earth will escape the impact and the economic cost,” which Dr. Piot estimated to be about \$15 billion per year.

UNAIDS is warning, in particular, about India, China, and Russia, but the agency also stressed that the rate of new HIV infection is rising again in the United States. Notably, UNAIDS is now, in effect, recommending universal (but voluntary) testing for AIDS, in which all people in strongly affected countries are urged to get tested, through AIDS outreach and anti-retroviral distribution programs.

In its a new report, the agency forecasts a chilling total of 160 million “additional deaths from effects of AIDS” between now and 2025. This represents an added mortality in the world of a huge 8% to 9%. Now, about 55 million people die per year from all causes, and of those, about 3 million die from AIDS. The AIDS deaths are projected to rise to about 8 million per year: 100 million “additional deaths” are forecast in Africa; 19 million in China; and 25 million in India. Anti-retroviral treatment is still too expensive for the vast majority of people in these countries, without government programs to finance it.

Australia at ASEAN Meet, Refuses To Sign Treaty

Australia attended its first ASEAN (Association of Southeast Asian Nations) meeting in November, but is refusing to give up its

Cheney-like “preemptive war” policy. Historically, Malaysia’s former Prime Minister, Dr. Mahathir bin Mohamad, had led the opposition to Australia’s attendance at the Now that Mahathir is out of office, the ASEAN leaders agreed to invite Australia and New Zealand for this year’s event. But the invitation is not permanent, and it is not clear if the two countries will be invited back. Indonesia, in particular, is not keen on making it permanent.

It is thus of significance that ASEAN’s request for Australia to sign the ASEAN Treaty of Amity and Cooperation, which Russia and Korea signed in November and which India and Pakistan have also signed, has been rejected by Prime Minister John Howard, who doesn’t want to offend his superiors in Washington. ASEAN leaders well remember that only months ago, Howard talked about Australia’s right to invade Indonesia or the Philippines preemptively, if he perceived Australia to be at risk.

Indonesia’s Foreign Ministry spokesman Marty Natalegawa said that the best way for Australia to “dispel fears of its intentions” was to sign the treaty. Howard, however, is maintaining his Cheney imitation.

ASEAN and China Sign Trade Agreement

The China-ASEAN Free Trade Agreement (FTA), signed at the ASEAN Summit meeting in Laos in November, will reduce tariffs among the nearly 2 billion people of China and the 10 nations of the Association of Southeast Asian Nations to zero by 2010. There will be a three-person panel to resolve trade disputes among the 11 nations.

The deal includes an action plan which goes far beyond “free trade” per se: military training, early-warning for diseases, highway systems (including a Bangkok to Kunming road by 2007), a rail link from Kunming to Yangon (the date to be determined), and the completion of the “Asian Railroad” from Kunming to Singapore.

Agreements with Japan, South Korea, and India to begin immediate discussions on

trade agreements were also signed at the Vientiane, Laos meeting.

The Netherlands Now ‘Mercy-Killing’ Babies

Babies are being put to death in Dutch hospitals (euthanized), according to an Associated Press wire story from Amsterdam Dec. 1. So the Netherlands, which in the 1980s pioneered Nazi-style euthanasia against the elderly, the chronically ill, the mentally ill, the retarded, and finally, those who were simply depressed—has now taken a further step into bestiality.

The Groningen Academic Hospital recently proposed guidelines for “mercy killings” of babies said to be terminally ill—and then revealed that it had already begun carrying out such murders, using lethal doses of sedatives. Groningen carried out four such medical murders last year.

The hospital’s declaration came in the middle of growing discussion in Holland over whether to legalize euthanasia for people who cannot decide for themselves: The Dutch doctors’ association last Summer urged the Health Ministry to create an independent board to review euthanasia cases for those with “no free will.” As a matter of practice, of course, Dutch hospitals have been killing such people for years, to the point that numerous reports have reached *EIR* concerning the state of terror in which the Dutch elderly live.

Now, the so-called Groningen Protocol would enable doctors to do openly what they now do semi-secretly: Murder newborns and infants deemed to be in pain from incurable disease or deformities.

Roman Catholic organizations and the Vatican reacted with outrage. One Catholic critic wrote, “The slippery slope in the Netherlands has descended already into a vertical cliff.”

The Club of Life and the Schiller Institute have organized against the euthanasia lobby since the 1980s, including publication of a Special Report in 1988, “How To Stop the Resurgence of Nazi Euthanasia Today.”

Leading Democrats Take Up Vote-Suppression Fight

by Edward Spannaus

“What happened on Nov. 2 was not an election, but a not-so-cold coup d’état against the United States Constitution,” former Democratic presidential pre-candidate Lyndon LaRouche declared in a Nov. 9 international webcast. And those in the Bush-Cheney campaign and the Republican Party who engaged in a widespread campaign of vote-suppression are guilty of violating the 1965 Voting Rights Act and the Constitution, LaRouche charged. “The kinds of frauds which were perpetrated by the Republicans alone in this election, were sufficient to send these guys to jail, if not to un-elect them,” LaRouche stated.

The theft of the election through the massive suppression of the votes of minority voters, most flagrant in Ohio and Florida, but also prevalent in many other states, is a far bigger question than mere vote fraud. By targetting the lower 80% of the population which the LaRouche movement and elements of the Democratic Party were mobilizing, the George Shultz-Dick Cheney apparatus and their synarchist-financier backers were attempting to consolidate their grip on the U.S. government for their policy of perpetual war and brutal economic austerity.

Thus, the question of vote-suppression is now a central battlefield in the fight to save this Republic from the ongoing coup.

With the dollar crisis hitting, and about to bring down the global financial system, impelling the synarchist financier oligarchy into more Nazi-like dictatorial measures, it is crucial that the real significance of the criminal vote-suppression operations leading into Nov. 2 be properly understood. This is critical inside the Democratic Party, where many activists are being drawn into futile legal actions on the state level, seeking recounts, or redress for vote fraud and irregularities, which do not get at the fundamental Constitutional implications of the Nov. 2 coup.

On the other hand, there is fortunately an effort now under way among key Democrats, in the House and elsewhere, to compile the evidence of how high-level operatives in the Bush-Cheney apparatus, including some in the White House, acted in explicit violation of the Voting Rights Act to suppress the vote on Nov. 2.

The Shadow of ‘Jim Crow’

Prior to the election, a report called “The Long Shadow of Jim Crow: Voter Intimidation and Suppression in America Today” was published by the NAACP and People for the American Way. The report opened by noting that “it would be comforting to think that the last vestiges of voter intimidation, oppression, and suppression were swept away by the passage and subsequent enforcement of the historic Voting Rights Act of 1965,” but, “it would be a grave mistake to believe it.”

“In every national American election since Reconstruction, every election since the Voting Rights Act passed in 1965, voters—particularly African-American voters and other minorities—have faced calculated and determined efforts and intimidation and suppression,” the report’s introduction stated. “While the bloody days of violence and retribution are gone, and the poll tax and literacy tests have disappeared,” now “more subtle, cynical, and creative tactics have taken their place.”

The NAACP report then chronicled the myriad methods of vote-suppression used, over the past couple of decades, which have intensified during the 2000 election and subsequently. Unfortunately, despite the attention that has been focussed on such unlawful practices since the 2000 election debacle in Florida, there was no let-up in such activity in the 2004 election.

In recent issues of *EIR* (see Nov. 19 and Nov. 26), we have presented documentation of the many methods of voter-

suppression used, particularly in Ohio. This included dirty tricks and disinformation circulated to voters before the election (such as directing voters to the wrong polling place), and during the election; mobilizing challengers to intimidate voters at the polling places; unlawful purging of voter rolls; and the failure to process new voter registrations in a timely manner. And, perhaps the most important method in Ohio, deliberately shorting the number of voting machines in urban minority precincts, so that would-be voters had to stand in line for 3-4 hours, and sometimes 8-10 hours, causing many to leave in frustration or out of necessity, thus preventing them from voting.

As we have previously reported, voting-rights and civil-rights activists in Ohio are gathering evidence which can be used in civil and criminal complaints, charging violations of the Voting Rights Act.

Congressional Dems Move on Ohio

Now, in a major development, 12 Democratic members of the House Judiciary Committee, led by Rep. John Conyers of Michigan, sent a letter to Ohio Secretary of State Kenneth Blackwell on Dec. 2, demanding that he respond by Dec. 10 to a comprehensive set of complaints and allegations about election irregularities in the 2004 Presidential elections.

The Conyers letter points out that the pattern of complaints received, shows “a one-two punch that may well have altered and suppressed votes, particularly minority and Democratic votes,” and that “a series of actions of government and non-government officials may have worked to frustrate minority voters.” The letter to Blackwell explains:

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

On Dec. 3, Representative Conyers and other members of Congress announced that they will be sponsoring a forum on voting irregularities in Ohio, to be held on Capitol Hill on Dec. 8. They also sent an invitation to Secretary of State Blackwell, urging his attendance and participation in the forum.

Evidence Must Be Presented to Joint Session

The pattern of vote suppression being compiled by the House Judiciary Committee minority members, is precisely the type of evidence which should be presented to the full

House and Senate on or before Jan. 6—which is when Congress meets in Joint Session to certify the Electoral College votes.

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

LaRouche’s startling response reverberated through Washington, and especially the CBC, and thus, when the time came for Bush’s election to be certified by Congress a few days later, members of the CBC staged a dramatic action on the floor of the Joint Session, rising one after another to object to the Florida electoral vote, citing the history of the civil rights movement and the Voting Rights Act. Although the Florida voting irregularities were the issue at hand, there was no mistaking the fact that it was LaRouche’s initiative on the Ashcroft question that had catalyzed this dramatic action.

Although the Caucus was unsuccessful in persuading a single member of the Senate to support their valiant cause—as is required to allow an objection to an electoral vote to proceed—they captured national attention. Following Bush’s certification, the drive to stop Ashcroft grew. By the time his nomination came to the Senate floor, there were a sufficient number of U.S. Senators organized and ready to block Ashcroft’s confirmation. At the very last moment, Senate Democratic leader Tom Daschle, in an act of betrayal that probably cost him his Senate seat in 2004, ordered Democratic Senators to halt their resistance, and confirm Ashcroft.

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

Moreover, the onrushing financial collapse, particularly as it is manifested in the current collapse of the dollar, may itself, by Jan. 6, be a major determining factor in institutional efforts to block or constrain Bush and Cheney in a second term.

The Vanishing American Pension Foretells Bush Social Security Gameplan

by Anita Gallagher

Before President Franklin Roosevelt established Social Security in 1935, most Americans worked from childhood to grave. In the late 1930s, the American labor movement began to use Roosevelt's Social Security as its beachhead, in order to win contracts which included private, employer-funded pensions for unionized workers. These pensions—which, like Social Security, usually specified in advance the level of benefits which the retiree was to receive—became generalized among Americans after World War II.

Today, only 50% of America's private-sector workforce is covered by any kind of savings or pension plan. And the number of private employers who offer "defined benefit" pension plans—the "Cadillac" type which guarantees a monthly benefit from retirement to the end of the retiree's life—has fallen from 112,000 in the mid-1980s, to only 31,000 today; none has been established for at least a decade. What's more, according to the 2003 Retirement Study of Towers Perrin consultants, 25% even of these plans are "frozen"; that is, they're closed to new employees, or allow no benefit accruals.

Over the past 20 years of so-called "prosperity," private employers have exited "defined benefit" plans *en masse* to cut costs; or converted them to the less valuable "cash balance" type. Half of all employers surveyed by Towers Perrin say the expense of such plans "surged" because of their 2000-2002 investment losses. Employers have shed the investment risk of guaranteeing that future pay-out monies are there for an employee's retirement, or for his or her spouse, in favor of cash-balance plans, which tend to be paid out as one lump sum at retirement. Even more frequently, employers offer not specified benefits, but "defined contribution plans," such as 401(k) plans, where the risk of generating future earnings is placed entirely on the employee.

It is this shift of risk to the individual employee for his future retirement, which is the model for what Bush intends in privatizing Social Security.

How has it worked out for millions of holders of IRA investment accounts in the ongoing worldwide financial collapse, which only Democratic statesman Lyndon LaRouche has recognized? They have had their retirement capital "shifted" via Wall Street to synarchist financial interests. A full one-third of the employees surveyed by Towers Perrin said they now plan to work years longer than they had intended, because of their investment losses.

Bush intends to "spend his political capital" with an early 2005 legislative push for privatized Social Security accounts. Conservative study estimates show that here, Wall Street firms could reap nearly \$1 trillion in fees—one quarter of the paid-in potential benefits—over the lifetime of today's young people. In keeping with such a swindle involving the primary retirement income of millions of Americans, it is only fitting that Bush lied during the election campaign that he had absolutely "no plans to privatize Social Security."

'But, My Pension Is Insured'

On Nov. 15, the Pension Benefit Guaranty Corporation (PBGC) dropped a bombshell, announcing a net loss of \$12.1 billion for Fiscal Year 2004 which more than doubled its total deficit, to \$23.2 billion. In 2002, the PBGC ate \$6.1 billion in pension payouts for the nation's steel companies, plus other former industrial mainstays. Though PBGC Executive Director Bradley Belt stated, "The PBGC is committed to protecting pension benefits, and with \$39 billion in assets we can continue to meet our obligations for a number of years," the PBGC now has more than \$62 billion in liabilities. In addition, in November, it upped its estimate of "reasonably possible" exposure to the pensions of shaky companies, to \$96 billion.

In fact, the PBGC's potential exposure to the pensions of the airline industry alone is \$31 billion. To date, the airline and steel industries have accounted for more than 70% of the PBGC's claims by dollar amount.

In 2004, the PBGC was paying benefits to 1.1 million people, in the amount of \$3 billion. The Corporation is not Federally funded. It was created by the Employee Retirement Income Security Act of 1974, to insure "defined benefit" contribution plans up to a limit, which is now \$44,386 per year of retirement. It is funded by insurance premiums paid by companies offering "defined benefit" plans, and by investment returns from those premiums. Like the Federal Deposit Insurance Corporation, if it became insolvent, a taxpayer bailout would be necessary.

From 2000-02, decreasing bond and stock yields caused a decline in funding ratios for pension plans—in fact, the largest decline in the past 30 years, according to Towers Perrin. Many companies thus face high "make-up" funding requirements. Because of so-called "smoothing" methodologies utilized by many pension plans, those increased contributions to cover losses on Wall Street have not yet been funded, and will present some pension plans with dramatically increased costs.

The Bush Administration will present a pension funding proposal to Congress in early 2005. According to the testimony of PBGC Executive Director Bradley Belt before the Senate Commerce Committee on Oct. 7, the funding targets are set too low: "Employers can stop making contributions when a plan is funded at 90% of 'current liability,' a measure with no obvious relationship to the amount of money needed to pay all liabilities if the plan terminates." Belt cited U.S. Airways, which said its pilots' plan was 94% funded on a

From the Congress

Democrats Denounce GOP Omnibus Funding Bill

The Democrats on the House Appropriations committee, headed by Rep. Dave Obey (Wisc.), issued this press release on Nov. 22, titled "Obey: 'This Bill Is a Poster Child for Institutional Failure.' "

House Appropriations Committee Ranking Member Dave Obey compared funding levels in the 2005 Omnibus Appropriations Bill passed by the House today to House Resolution 685, legislation he introduced in June, which would have provided:

- An additional \$3 billion for homeland security, police, fire and emergency services;
- \$1.5 billion more for Title I, helping an additional 500,000 low-income children meet the high standards of No Child Left Behind
- \$1.2 billion more to meet the Special Education needs of 6.9 million children with disabilities;
- \$2.2 billion more to increase the maximum Pell Grant to \$4,500;
- An additional \$2.3 billion to fully fund the veterans healthcare system and improve housing for military families; and
- An additional \$1.3 billion to expand rural and community health centers.

The approximately \$14 billion in additional funding in his bill, plus \$5 billion to lower the deficit, came from reducing the tax cut for those with adjustable gross incomes of \$1 million and more from \$127,000 to \$87,000. House Republicans defeated the bill.

"Democrats have demonstrated our priorities," Obey told the House during Saturday's debate on the omnibus appropriations bill. "And, we have fought to improve the misguided priorities in the Majority budget. But the Majority has rejected those efforts. We are at the end of the calendar and we are out of options. So I will most reluctantly vote for it, but I will certainly not be leading the cheers because this body should have been able to do much better."

The full text of Obey's floor speech is available on the House Appropriations Committee Democrats' website: www.house.gov/appropriations_democrats.

Some examples of how the Omnibus would be different if Democratic Priorities were being voted on today rather than the Republican Majority's Plan (see table)

The best that can be said about this bill is that if passes, it will provide \$4 billion more than a Continuing Resolution.

current liability basis, when in fact the plan was only 33% funded if it were terminated (by bankruptcy, for example)—a \$2.5 billion shortfall. "No wonder the U.S. Airways pilots were shocked to learn just how much of their promised benefits would be lost," Belt said.

Belt also complained that there are no risk underwriting standards, causing risky companies to pay the same premiums as the rest. If the PBGC would try to raise premiums, it fears that healthy companies would opt out. There is also a lag time of several years in reporting funding levels. The PBGC, like Treasury Secretary Snow, wants to give the PBGC rights to force payment of pensions in bankruptcy, rather than allowing corporations to use bankruptcy as a way to shed pension obligations. There is \$350 billion in underfunding (on a termination basis) in the private "defined benefit" plans.

Rear-Guard Fights

In the onrushing financial collapse, the AFL-CIO and Rep. Bernie Sanders (I-Vt.) are warning of pension chiselling in converting defined benefit plans to "cash balance" plans, that have the option of a "lump sum" payment at retirement. The AFL-CIO has also attacked cash balance plans, for not calculating pension benefits based on pay in the last years of a worker's career, when he or she earns more. Benefits are usually lost if a traditional benefit plan converts to a cash-balance plan, because the scale of payments will be lower.

Cash-balance plans, though they offer the legal right to monthly payments for life, also generally offer a lump sum payout. As recently as 1995, about 85% of full-time workers who participated in a defined benefit plan were *not* offered a lump sum distribution at retirement; but by 2000, this was offered to 43% of all full-time employees in a defined benefit plan. The AFL-CIO warns that most of its members tend to take the lump sum, which they risk using up quickly. AFL-CIO Treasurer Richard Trumka said, "The spread of cash balance plans—particularly conversions [of traditional monthly payout plans—ed.] without adequate safeguards—is a major threat to workers." In 2003, Trumka said, although seven of ten *union* workers in the private sector participate in defined benefit plans, nearly one in four of these today is participating in a cash balance plan, and most of these were the result of recent conversions.

The *International Operating Engineer* said in 2000, "The offer of a lump sum is often an irresistible temptation. . . . Statistics show that lump sums taken prior to retirement . . . run out long before death, leaving retirees destitute."

More than 25% of all employees surveyed by Towers Perrin in its 2003 Retirement Study believe that Social Security will be eliminated, just as pension rigging has deprived many of much of their pensions. The solution does not lie in tweaking the formulas in an onrushing financial collapse, but in following the leadership of Lyndon LaRouche back to rebuilding the physical economy—where pension benefits and Social Security make a vital contribution by extending longevity.

Issue	H. Res. 685— Democratic Priorities	FY 2005 Republican Omnibus
Health care for veterans	+\$1.3 billion over the Republican budget resolution to fully fund veterans' medical care at levels advocated on a bipartisan basis by the House Veterans' Affairs Committee.	\$235.1 million below the House Republican budget resolution
Investments in education	+\$5.7 billion over the President's request.	-\$779 million below the President's request.
Title I	+\$1.5 billion over the President's request to support reading and math instruction for 500,000 additional low-income children.	-\$607 million below the President's request.
Child Care and After-School Learning	+\$300 million over the President's request to double the number of children receiving quality after-school care in five years.	\$25 million below the President's request and last year's level.
Special Education	+\$1.2 billion over the President's request to meet the promise the House Republicans themselves made on special education funding.	-\$482 million below the President's request.
Pell Grants	+\$2.2 billion over the President's request to increase the maximum Pell Grant by \$450 to \$4,500 for more than 5 million low-income students. The average public 4-year college tuition has increased \$1,400 (36 percent) since 2001.	-\$468 million below the President's request, freezing the maximum Pell Grant at \$4,050.
Public health		
Infectious diseases and immunizations	+\$100 million over the President's request to protect the public against infectious diseases (like SARS, West Nile Virus, tuberculosis, and AIDS) and for child and adult immunization.	Provides only \$9 million over the President's request.
Health care and medical research		
Core health "safety net" programs	+\$400 million over the President's request for community health centers, rural health clinics, mental and child health programs.	-\$32 million below the President's request, including -\$103 million for community health centers and -\$12 million for mental health programs.
NIH research	+\$500 million over the President's request for health research in areas such as liver cancer, SARS, breast cancer, Parkinson's disease, and Alzheimer's disease.	\$170 less than the President's request.
National nursing shortfall	+\$35 million over the President's request for the "Nurse Reinvestment Act" authorization.	Provides only \$4 million over the President's request.
Dental care	+\$50 million over the President's request for dental services in rural and other underserved areas.	No funding included.
Clean water standards and environmental protection		
Land protection and preservation	+\$325 million over the President's request for conservation programs covered by the bipartisan commitment reached in 2001.	-\$62 million below the President's request.
Water infrastructure	+\$500 million over the President's request for the Clean Water State Revolving Fund.	-\$259 million below the FY 2004 levels.
Basic services in rural communities		
Community assistance for refugees	+\$50 million over the President's request for States and local communities to offset the cost of the dramatic influx of refugees anticipated as result of the Administration's commitment to permit resumption of refugee flow to pre-September 11 levels.	Provides only \$11 million over the President's request.

Levin: A Constitutional 'Outrage'

Sen. Carl Levin (D-Mich.) released this statement on the FY05 Omnibus Appropriations Bill on Nov. 20.

Mr. President, it is difficult to vote against this omnibus appropriations bill because it provides funding for many programs that I support. In fact, it contains many provisions that I worked to have included.

However, we are confronted with this legislation containing funding for fiscal year 2005 which under normal circumstances would have been contained in nine separate appropriations bills and which should have been done prior to the beginning of this fiscal year last October 1. Once again, for the third consecutive year, and all too frequently in recent years, the Senate finds itself considering a massive appropriations bill, in this case totaling about 3,000 pages and spending nearly \$400 billion, and containing important legislation which doesn't belong in an appropriations bill at all. We have had only a matter of hours to read and consider this bill.

This is a process which reflects poorly on the Congress both because it represents a failure to get the Nation's work done on time, and because its huge size and the inclusion of matters which were not previously considered in the Senate hinders the kind of careful consideration and debate which wise decision making demands. It is certain that Senators will only learn after the fact details about many provisions which have been added.

And perhaps most importantly, because these omnibus bills are delayed until the waning hours of each Congress, the White House is included in the meetings as the language is written, in order to avoid a Presidential veto. This weakens the constitutional prerogative of the legislative branch to control the Nation's purse strings and it undermines the critical oversight role which the Congress plays, in part, through its appropriations activities when they are conducted in the normal manner.

One example of the consequences of this hurried and extraordinary process is a provision in the bill late yesterday by our Republican colleagues that provides the chairman of the House or Senate Appropriations Committee or his or her staff access to the tax returns and other tax return information of any corporation or individual. Further, it would exempt the chairman or staffer gaining access to these returns from any provision of law governing the disclosure of income tax returns. The House did not debate that provision. The Senate did not debate that provision. However, somehow it ended up in this bill. This is an outrage. The Senate passed a resolution earlier tonight in an effort to eventually remove this provision from law, however if this bill is adopted, this provision violating the privacy of income tax returns will become law and we will have to hope that the House of Representatives will follow through and the President will sign the resolution to remedy the situation.

For every egregious provision like the one above that we

find, there could be several more that were missed. I am also concerned about the failure of this bill to adequately fund vital education initiatives. The bill before us underfunds Title I by \$500 million below the President's budget request; this critical program provides aid to states and school districts to help educationally disadvantaged children achieve the same high academic performance standards as other students. The bill before us also underfunds the important Individual with Disabilities Education Act by \$415 million and it underfunds the National Science Foundation at \$62 million below the fiscal year 2004 funding level and \$278 million below the budget request. Additionally, this legislation does not provide for an increase in the maximum Pell Grant award—the very foundation of aid for many needy students. It remains at the current level of \$4,050, rather than increasing toward the authorized maximum award level of \$5,800.

This bill also cuts funding for local law enforcement programs that could compromise the safety of communities around the country. Not only are our police on the beat essential for maintaining community safety, but they are the first line of defense against potential terrorist attacks. This bill cuts funding for the Community Oriented Policing Services, COPS, program by over \$140 million from last year's funding level. This program provides vital funding to our first responders and I cannot support such a drastic cut in funding.

Throughout Michigan and the rest of the country, our cities are struggling to finance urgent upgrades to municipal sewer systems to prevent discharges to the environment or private property. These communities have very high water and sewer rates and cannot handle additional debt. The State Revolving Loan Fund, which has received \$1.35 billion per year from Congress in the past several fiscal years, has helped to clean up polluted waters, however more money is needed to help communities such as ours in Michigan with significant needs. This bill does the opposite; it cuts funding for the State Revolving Loan Fund which will harm our ability to clean up our waters and upgrade our aging sewer systems.

This bill deletes a provision contained in both the House and Senate Labor-HHS appropriations bills that would have prohibited enforcement of the administration's overtime regulation that went into effect in August 2004.

I am also disappointed that this bill provides less funding for the IRS than the administration requested. This legislation provides \$400 million less than the President requested. This overall dollar figure reflects \$166 million less than requested for tax enforcement, which is a nonsensical and irresponsible decision. Tax enforcement is an unusual area of the budget where a relatively small increase pays for itself many times over by increasing the amount of revenue collected. . . .

Mr. President, while this bill funds many programs that I support, on balance I cannot support this legislation. For the reasons I have mentioned, and others, I will vote against this Omnibus bill.

A Time for Some Real Leadership: Is Fallujah a New Dien Bien Phu?

by Lyndon H. LaRouche, Jr.

November 14, 2004

At this moment of the most deadly turning-point in world history, most of the people who should be thinking as commanders-in-chief, are acting, instead, like a pack of whimpering job-applicants who just received news that they had, probably, lost the job. I see in them men and women who prefer, to whimper, like poorly trained actors who had just failed at try-outs for the part of Hamlet. We need better leadership, political leadership like that which General Douglas MacArthur showed at Inchon, for example.

The piteous wailing of professional political cry-babies and other opportunists to one side, absolutely nothing else about U.S. or world history was finally determined on the morning of November 3rd. President George W. Bush has actually won nothing as much as a pack of troubles beyond anything he had experienced thus far.

Each currently passing day, Fallujah, for example, is looking more and more like Dien Bien Phu. The dollar is sinking; the Federal debt-crisis is far worse than anything in 1994, while the idiots are babbling like the professional losers they seem to have become, "The economy was not the issue of the campaign." The worst mortgage-based securities bubbles in history are about to pop. A raw-materials bubble in financial derivatives is ripe to explode. The added effects of an onrushing new escalation of so-called Middle East crises could send the price of petroleum way beyond even \$100 a barrel, and blow out the entire "Middle East" region for decades to come. The onrushing collapse of the U.S. economy is worse than anything experienced, or even imagined during the Twentieth Century.

With the usual babblers' dubious proclamation of W's victory, we have thus entered a period of the greatest political

opportunities in history, as the Prussian military advisors of Czar Alexander I understood, at the moment the self-doomed Emperor Napoleon Bonaparte had just settled in for the occupation of Moscow. When I read the morning edition of the *Washington Post*, for example, I remember poor deluded Croesus, hearing the news from the babbling priestess of Delphi, thinking that he had actually been guaranteed a triumph.

Nothing else is settled about much of anything, except that the present Bush Administration has probably just achieved the rank of the most ill-fated, momentary, most delusory victory, in all U.S. history to date.

So, why are all those recent job-applicants for posts in the Presidency sitting around, mooning like dejected job-applicants, when the time for the most important intervention in the leadership of world affairs has just now begun? I remember how President Abraham Lincoln felt before he brought Grant, Sherman, and Sheridan into play. There is the most important battle in U.S. history needing to be fought and won right now, and the roster of applicants for leadership I see around me, are like cowards griping in the shadows, cautiously waiting to see "how it all turns out."

Amid all of the uncertainties I see clearly now, I am absolutely certain about one thing. What the so-called "news media" are implying the present situation to be, has no resemblance to the reality of what is about to burst loose on the landscape, most probably between now and Christmas, certainly before that intended Belshazzar's feast otherwise known as the coming January inauguration. All Hell is now about to bust loose, and there are powerful circles of people in the shadows, inside and outside the U.S.A., who know this, and who are positioning themselves to move accordingly. I do not know all the answers to my questions about what some of these folk are positioning themselves to do, but I see them

clearly positioning themselves, and I understand what the situation is which is impelling them to prepare for action to deal with what is already an impossible situation for both the U.S.A. and the world at large.

I have many important questions, which any competent political leader of our nation would be asking now. I do not yet have the answers to most of these questions, but I am way ahead of both most of my putative political rivals, in addition to the abundantly misinformed proverbial man-in-the-street, because, I, at least, have the right questions.

Seeing the sheer insanity of W's lunatic campaign stunt, his lunatic lurch, sending marines and others to die for no good purpose, in Fallujah, I know that only terrified cowards think that anything important was actually settled by the morning of November 3rd. If you wish to be the first, or, at worst, the second, to discover what is about to happen next, stay tuned to this channel. What is about to happen, is probably something most of you would never dream to be possible. As was formerly said in China, and perhaps along the China straits, again, just now, we are "living in interesting times."

'Victory' in Fallujah: A Political Disaster

by Carl Osgood

During a Nov. 16 interview on Philippines radio (*EIR*, Nov. 26), *EIR* founder Lyndon LaRouche reported that the U.S. military assault on Fallujah, launched on Nov. 9, one week after U.S. Election Day, has settled nothing in Iraq. "You have an impossible situation, and an impossible war," LaRouche said, "We have a general destabilization of the entire area of Southwest Asia. We have chain reaction effects around the world." A few days later, he commented, "They have made all of Iraq, greater Fallujah."

Lt. Gen. John Sattler, the U.S. Marine commander in Iraq, now has egg on his face. On Nov. 18, speaking to reporters at the Pentagon via video teleconference from just outside Fallujah, Sattler declared, "Based on some of the records . . . and ledgers we've been able to uncover, we feel right now that we have, as I mentioned, broken the back of the insurgency and we have taken away this safe haven." It did not take long for Sattler to be contradicted, both from within the military and by subsequent events. Only one day after Sattler's remarks, Lt. Gen. Lance Smith, the deputy commander of U.S. Central Command, when asked to respond specifically to Sattler's comment, said, "I think it's too early for me to say, given the broad perspective of Iraq, that the backbone of the insurgency is broken. We have certainly had a significant impact on the insurgency, but we know that the

important part is going to be to follow on with the success and not allow a safe haven to exist anyplace else, like Ramadi or Baqubah or some of those other cities where we know these folks go."

Other officers were reportedly even more pessimistic than Smith. The *New York Times* reported Nov. 17, that senior Marine intelligence officers under Sattler warned, in a seven-page report, that if American troop levels in the Fallujah area are significantly reduced, insurgents will "rebound from their defeat." The report says that rebels could thwart the retraining of Iraqi security forces, intimidate the local population, and derail the elections scheduled for January. It further warned that the insurgents, despite taking heavy casualties, will continue to grow, launch attacks, and try to foment unrest among Fallujah's returning residents. It says that if American forces do not remain in sufficient numbers for some time, "The enemy will be able to effectively defeat 1st Marine Expeditionary Force ability to accomplish its primary objectives of developing an effective Iraqi security force and setting the conditions for successful Iraqi elections." A very senior retired military intelligence contact, commenting to *EIR* about the *New York Times* report, said: "What this says is that the insurgencies are growing organically from the discontent of the Sunni Arab population, and that these insurgencies will continue to grow, recruiting new members and continuing to resist U.S. forces."

Nor is that sober view limited to the Marines. The BBC reported Nov. 29, that Army Brig. Gen. Carter Hamm, the U.S. commander in northern Iraq, warned that continued violence in Mosul could undermine election prospects in that city. "Without the numbers of Iraqi police that we would like to have, it significantly increases the level of difficulty of establishing the environment we need for the elections," he said. There are about 2,000 U.S. troops in Mosul, and Hamm insisted that there would be no more. "Clearly we need more Iraqi forces to counter the shortfall right now," he said. "But what we need more than forces is clear intelligence."

The pattern of the insurgency since Nov. 9 has been to increase its activities across a wider portion of the country, from Babylon and Babil provinces south of Baghdad (an area that U.S. military personnel call "the Triangle of Death"), all the way up to Mosul in the north, and west to Ramadi and the Syrian border. As the Fallujah assault was getting under way, insurgents launched a broad attack on Mosul, on police stations all over the city, and U.S. and Iraqi forces have been trying to regain control of this city of 1.7 million people ever since. Because of the unreliability of the police and Iraqi national guard, the Iraqi government has been forced to rely on Kurdish *peshmerga* militia, reportedly angering Arabs, to try to re-establish order in the city. Insurgent attacks have also hit Balad and Baquba, north of Baghdad and a half dozen cities south of Baghdad. The intensity of the fighting in other parts of Iraq is underscored by the fact that nearly half of the 138 deaths suffered by U.S. forces during the month of



U.S. soldiers of the 1st Cavalry Division in Fallujah on Nov. 9. The U.S. Administration is acting like the French at Dien Bien Phu, rather than exercising real leadership, as Gen. Douglas MacArthur did at Inchon.

November, were outside of Fallujah, where the bloodiest fighting was taking place.

The precariousness of the U.S. position in Iraq was further underscored by the Dec. 1 Pentagon announcement that the number of U.S. troops in Iraq would go up to 150,000 by mid-January, from the present 138,000. This is to be accomplished by extending the tours of those already there, at the same time their replacements arrive. Brig. Gen. David Rodriguez said that the purpose of the extensions is “to support the elections and continue to keep pressure on the insurgency.” He also said that he expected that the troop level would return to around 138,000 to 140,000 after the Iraqi election, if there is no change in the situation in Iraq. Given that “no change” has never been a characteristic of the insurgency, it remains to be seen what the situation will look like come February and March.

Parallels and Contrasts With Vietnam

Comparisons to the U.S. experience in Vietnam are commonplace, and there are valid parallels. Israeli military historian Martin van Creveld recently wrote that the most important reason why such a comparison is valid is that “the Americans found themselves in the unfortunate position where they were beating down on the weak.” He quoted Moshe Dayan, who spent a month as a war correspondent in Vietnam in 1966, who wrote that “any comparison between the two armies . . . was astonishing. On the one hand, there

was the American Army, complete with helicopters, an air force, armor, electronic communications, artillery, and mind-boggling riches; to say nothing of ammunition, fuel, spare parts, and equipment of all kinds. On the other there were the [North Vietnamese troops] who had been walking on foot for four months, carrying some artillery rounds on their backs and using a tin spoon to eat a little ground rice from a tin plate.” Van Creveld warns, “In international life, an armed force that keeps beating down on a weaker opponent will be seen as committing a series of crimes; therefore it will end up by losing the support of its allies, its own people and its own troops.” In other words, “he who fights the weak, and the rag-tag Iraqi militias are very weak indeed, and loses, loses. He who fights against the weak and wins, also loses.”

Perhaps more striking is the contrast between Vietnam and Iraq. In Vietnam, the U.S. was fighting an insurgency supported by a conventional army patronized by a superpower, the Soviet Union, and a very large next door neighbor, China. When the

insurgency collapsed, the war became wholly conventional. The insurgency in Iraq has no such superpower support, and no capability to fight toe to toe with the U.S. military in a conventional engagement. Yet, over the course of the last several months, it has only grown stronger and more deadly. When U.S. Marines entered Fallujah, they encountered a highly sophisticated, thinking enemy who was able to make them pay for every inch of ground they took. And the conduct of the insurgency after the Fallujah battle had largely subsided into daily firefights, suggesting that the insurgents’ command and control may not have been as disrupted as General Sattler had claimed.

Brian Gifford, a research fellow at the Robert Wood Johnson Foundation at the University of California at Berkeley, noted this difference in a Nov. 29 opinion piece in the *Washington Post*, warning Americans not to be too complacent about the war in Iraq just because the American casualty rate appears to be much lower than in past wars. In World War II, the U.S. lost about 300 people per day, and about 15 per day in Vietnam. In Iraq, the average has been 2 per day, making it appear that “the daily grinds of those earlier conflicts were worse than what our forces are currently experiencing.” However, a closer look at the numbers tells a different story. “If our wounded today had the same chances of survival as their fathers did in Vietnam, we would probably now have more than 3,500 deaths in the Iraq war.” The death toll is kept down because of advances in body armor and trauma medicine,

allowing wounded soldiers to survive injuries that would have killed them in earlier wars.

Gifford further notes that the U.S. military was far larger in those earlier wars, 12 million men in World War II, and 3.5 million at the height of the Vietnam War, but only 1.4 million today, meaning the proportion of killed and wounded is 4.8 times what it was during World War II though only 0.25 more than during Vietnam. "These figures suggest that our forces in Iraq face a far more serious threat than the public, the media, and the political establishment typically acknowledge or understand." U.S. troops in Iraq face as difficult a mission as their fathers did in Vietnam, "in spite of the fact that his contemporary enemies do not field heavy armored vehicles or aircraft, and do not enjoy the support and patronage of a superpower such as the Soviet Union." Gifford notes that daily U.S. casualties have tripled since last April, while the insurgency has grown more effective in the face of heavier losses, and these facts make it "difficult to imagine an exit strategy that any reasonable person would recognize as 'victory.'"

Whither the Election?

The main premise given for justifying the attack on Fallujah was to create a safe and secure environment for the elections. That not having been accomplished, despite the near leveling of that city, the United States and the Iraqi interim government are determined to forge ahead on the original schedule, mainly, as Iraqi Ambassador to the United Nations Feisal Al Istrabadi explained to a Dec. 1 event at the U.S. Institute of Peace in Washington, D.C., to satisfy procedural requirements stemming from UN resolutions and the Iraqi Transitional Administrative Law. He also argued that delaying the election would give a moral victory to the insurgents, "whose evident goal is to delay or cancel the elections."

Istrabadi had to acknowledge, however, one of the most significant voices in Iraq for postponing the elections, that of Adnan Pachachi. Pachachi led a meeting, at his house in Baghdad, of 17 mostly Sunni and Kurdish parties on Nov. 26, which issued a petition calling for postponement "of the elections for six months in order to address the current security situation, and to complete the necessary administrative, technical, and systematic arrangements." Even the Iraqi National Accord, the party of interim Prime Minister Iyad Al-lawi, though not signing the petition, endorsed it orally. Istrabadi acknowledged that Pachachi is making the point that elections must be reasonably credible. "Those who wish to interpose delay," Istrabadi said, "must establish that elections are more likely to be credible with delay than without, and that the entire political process would be enhanced rather than diminished, by a delay."

At virtually the same time that Istrabadi was making his remarks, two Iraqi scholars, while not endorsing postponement of the elections, were raising serious questions as to

whether or not the elections would be credible. Abbas Khadim, an adjunct professor of Islamic studies at the Graduate Theological Seminary at Berkeley, said, in remarks at the Middle East Institute, that the first problem is that people talk about the elections as if they were an end in itself, "like a theological religious doctrine." Secondly, the procedural situation is a mess. He said that nobody knows the law and, in any case, it's the vaguest election law he's ever read. The Arabic document, he said, reads as if it is a translation from another document, and apparently, not a very good one at that. The election law lumps all of Iraq into one district, which means that Iraqis are denied the possibility of electing someone they know.

Khadim further noted that there is no consensus on the legitimacy, the validity of the process, or even the possibility of carrying it through. "It is hard to have a consensus on an election if there's no agreement on the rules," he said. It is also exacerbating ethnic divides in the country. The Sunnis are against it, of course, because they will lose. On the other hand, they have legitimate concerns that have not been addressed very well. The Kurds, Khadim reported, have been sending mixed messages. He charged that they have been running an arrogant discourse that isn't helpful, and they're spending their energy and resources on things they can't get. The Shi'ites will benefit the most from an election, because they constitute the majority of the population, and they'll have the highest turnout. This will be a problem for the other groups who fear being dominated by the Shi'ites.

Following on Khadim's remarks, Laith Kubba, a program officer at the National Endowment for Democracy, said that in the present environment, elections are little more than a battle for power among the major constituency groups. He warned that if the election law is not changed, "we're setting the foundation for an ethnically divided country." As for the political impact of the Fallujah assault, Kubba said that on the one hand, "getting rid of factories that produce car bombs and shelter criminal networks is a plus, no question of that; but also everybody will tell you that the destruction of so many homes is bound to produce fresh recruits for those who want to resort to violence." If just 1% of the 250,000 people displaced from Fallujah decide to pick up arms and join the insurgency, that is twice as many new insurgents as the 1,200 that were claimed to have been killed during the assault.

As if to confirm Kubba's comment, Agence France Presse quoted Marines in Fallujah warning that politics are pushing some officers to make "dangerously optimistic assessments" of the situation there. They say that insurgents are likely to find allies among the city's residents, in large part because of the damage from the assault, and that is still being done by daily security operations in which Marines blast houses with gunfire before they enter. "The hardest part of this," said one, "is you have fence-sitters; a lot of them support the insurgents and a lot of them aren't going to be too happy when they see what's happened to their homes."

The Battle of Dien Bien Phu: The French Empire Dies in Vietnam

by Gail G. Billington

This article is reprinted from the New Federalist newspaper, May 3, 2004.

Fifty years ago, for 55 days, from March 13 to May 8, 1954, a small town in Northeast Vietnam was the scene of a battle between the forces of the French colonial occupying power and those of the pro-independence Viet Minh, led by Ho Chi Minh and his senior general, Vo Nguyen Giap.

The stage for the battle was a small town with the unremarkable name “Seat of the Border County Prefecture,” or, in Vietnamese, Dien Bien Phu, located in Tin Keo, northern Viet Bac province. The battle that raged in Dien Bien Phu would go down in history books as one of the decisive battles of the 20th Century, and the lessons learned, as well as those not learned from that bitter engagement, would reshape the military posture of the world’s major powers.

Vietnam will soon commemorate the 50th anniversary of its victory in the battle of Dien Bien Phu. Vietnam’s war of independence against France was neither the first, nor the last war fought by the Vietnamese against occupying forces, but it shall be remembered as the first victory over a European colonial occupation, even though America’s mis-adventure in Vietnam, which followed the French defeat, would postpone Vietnam’s independence for another 20 years.

The tragedy of the anti-colonial wars in Vietnam in the post-World War II era, both that against France (1945-1955) and America (1964-1975), is that both could have been avoided, if the U.S., after Franklin Roosevelt’s untimely death in 1945, had lived up to Roosevelt’s personal commitment to ending the European colonial occupations in Asia and Africa.

The Japanese invasion of Southeast Asia in 1941 drove the British and Dutch out of their respective Southeast Asian colonies, but the Japanese allowed the French to remain in control of Vietnam, since the French, under the Vichy government, were collaborating with the German occupation forces, who were, in turn, allied with Japan. The French only ruled in name, as the Japanese had full military basing rights and final say on issues of substance.

The existing Vietnamese resistance against the French, therefore, was sustained, and even expanded, against the Japanese occupation. The resistance leader, Ho Chi Minh, was a leading international figure in the communist movement, but,

in his own words, “it was patriotism and not communism that originally inspired me.” He had a deep admiration for the United States, and when the U.S. Office of Strategic Services (OSS) sent a team into Vietnam during the war to provide supplies and training to Ho Chi Minh’s forces, Ho worked closely with them, both on fighting the Japanese, and in preparing for independence. OSS officer Archimedes Patti worked with Ho, sending numerous letters to President Truman in 1945, appealing to Truman to implement the plan of the recently deceased President Franklin Roosevelt. FDR had proposed that the United States establish a “trusteeship” over Vietnam, with a definite time set for elections and independence, similar to the U.S. plan for the Philippines. Patti also cooperated with Ho in drafting the Vietnamese Declaration of Independence, which Ho delivered in Hanoi Square on Sept. 2, 1945—much of it based directly on the American Declaration of Independence.¹

Roosevelt had no intention of allowing the European colonial powers to reoccupy their former colonial holdings, as he told Winston Churchill directly in 1941, during negotiations for the Atlantic Charter. He wanted his plan for “trusteeship” to be an integral part of the United Nations Charter. His death in April 1945 also marked the death of that intention, as the new President, Harry Truman, proceeded to provide extensive support to the British, French, and Dutch in reasserting control over their former Asian colonies. Truman never responded to Ho Chi Minh’s letters, and even helped the French re-occupation of Vietnam after the war.

The Viet Minh

The 1954 battle at Dien Bien Phu was waged by an army of liberation, seeking to establish the sovereignty of the nation of Vietnam, after 90 years under French colonial rule.

Gen. Vo Nguyen Giap, now age 92, who commanded Vietnamese forces in that battle, told a seminar in March 2004: “Internationally, the Dien Bien Phu victory meant that for the first time, a nation that was a semi-feudal colony, with a small land area, small population, a backward economy, and rudimentary weaponry could defeat a Western power

1. Archimedes L.A. Patti, *Why Viet Nam? Prelude to America’s Albatross* (Berkeley: University of California Press, 1980), p. 223.



Planning the attack: Ho Chi Minh (second from left) and Gen. Vo Nguyen Giap (right).

with large economic and military potential and sophisticated weapons.”²

The French expeditionary forces and the Viet Minh had reach a stalemate, after more than six years of fighting, by March 1953.

The French Indochina War had dragged on indecisively since December 19, 1946. In the preface to his seminal history of the battle, *Hell in a Very Small Place*, author Bernard Fall wrote of France at the time, that “one of the sides in the conflict [France] had lost its chance of attaining whatever it had sought to gain in fighting the war.”

The war had cost the nation of France an estimated \$10 billion, and the French population was war-weary, so much so, that the National Assembly imposed a freeze on conscription of forces. The effect of this would be seen in the battle at Dien Bien Phu, where motivated Viet Minh soldiers engaged in combat against France’s demoralized colonial army, about half of which were comprised of Algerians, Moroccans, and Tunisians (of French North Africa), and other colonial subjects, fighting on the side of the colonial master, together with an equal number of Vietnamese nationals fighting on the French side.

Gen. Henri-Eugene Navarre, the French Commander-in-Chief at the time of the Battle of Dien Bien Phu, wrote after the war in his *Agonie de l’Indochine*, that there were two acceptable but contradictory war aims: “France could be expected to fight the Indochina War alone but with all her might, *only* if the Indochina States [Vietnam, Laos, and Cambodia] would accept a ‘special relationship’ that would justify the expenditure in blood and money that the fight would entail—

and if they were willing to help in the fight to the utmost of their abilities.

“If, on the other hand, the Indochina War had become an integral part of the world-wide struggle, led by the United States, for the containment of communism, *all other* nations concerned with stopping communism had an obligation equal to that of France to participate in the struggle.”³ Navarre’s words would come back to haunt the United States in its own war in Vietnam.

The decision of France to establish a garrison at Dien Bien Phu was the result of the “Navarre Plan.” In May 1953, General Navarre devised a two-stage strategy to better coordinate French units in Indochina. The first phase of his plan, from the spring of 1953 to the fall of 1954, called

for pacification of Vietnam below the 18th parallel, and the consolidation of friendly bases and positions in southern Vietnam. In the North, the objective was to maintain a “defensive mentality” and avoid large-scale confrontations.

Having achieved supremacy in the South, Navarre would implement the second phase of his plan: From late 1954 to 1956, the French Expeditionary Corps would launch offensives against enemy strongholds throughout the North to provoke what Navarre called “general war.”

But the orders issued to Navarre by Army Chief of Staff Paul Ély, said something quite different: “Navarre’s objective was to create military conditions that would allow the government to negotiate a satisfactory, honorable solution in Indochina. Navarre was to show the Viet Minh the futility of seeking a victory by force, but rather seize the opportunity to negotiate,” as General Ély spelled out after the fact in his memoirs, *Indochina in Turmoil*.

Ély wrote: “By 1953, Paris understood that a military victory in Indochina was impossible. Its aim, therefore, was to prepare for negotiations and a political settlement from a position of strength.” The result of the Dien Bien Phu showdown was to be the exact opposite.

On Nov. 20, 1953, Navarre parachuted six battalions of the Expeditionary Corps into Muong Thanh Valley in the district of Dien Bien Phu, in part with the aim of defending Laos, also a French colony. Dien Bien Phu was located along route 41, at a crossroads which commanded the main access routes running into Laos from Vietnam. The French High Command estimated that control of this strategic point would not only halt the flow of supplies entering Laos from Vietnam,

2. www.channelnewsasia.com, posted March 11, 2004, as part of a special commemorative posting for the 50th anniversary of the French defeat.

3. Bernard B. Fall, *Hell in a Very Small Place, The Siege of Dien Bien Phu* (Philadelphia: J.B. Lippincott, 1967), p. viii.



French paratroopers being dropped into Dien Bien Phu in the Spring of 1954.

but also deter further Vietnamese involvement in Laos. In late December, the Viet Minh authorities approved the plan to destroy the French outpost at Dien Bien Phu, and named Vo Nguyen Giap campaign commander.

Informed of the enemy's preparations, Navarre elected not to pull out the troops. On Dec. 3, he ordered that the remote outpost at Dien Bien Phu be fortified, thereby accepting the risk of a decisive confrontation with the Viet Minh. Aware of the implications of the decision, Navarre instructed his subordinates that, in the event of attack, the position "must be defended at all cost."

Even while the battle was taking shape, the Viet Minh and the French agreed to hold peace talks to resolve the situation in Indochina. Following consultations with foreign governments, Paris decided to hold the meetings in Geneva as part of the first international conference to be held to discuss the Korean armistice. At the conclusion of the talks on Korea, the Indochina phase of the first Geneva Conference on Far

Eastern Problems would begin. The scheduled date for the start of those negotiations was May 8, 1954—which would end up being the day after the fall of Dien Bien Phu!

The inclusion of the Indochina conflict in the Geneva meetings raised the stakes markedly for Vietnam. With the conference announced, Navarre understood that there would be a battle at Dien Bien Phu, and that the fate of France in the region would depend on its outcome. Ho Chi Minh agreed with this view, and ordered Vo Nguyen Giap to "throw all available forces against the Expeditionary Corps at Dien Bien Phu."

Giap understood the importance of a victory there over the French. He believed that the destruction of the enemy outpost could alter the character of the war, and end the stalemate, and assure future victories. With the growing American financial and material commitment to the French cause, the Viet Minh needed a clear victory on the battlefield to prevent an extension of the conflict.

New research conducted by Pierre Asselin, at the University of Hawaii, indicates that the Politburo of the Vietnamese Communist Party and the Army Party Central Committee originally planned to launch the attack on Dien Bien Phu in the late afternoon of Jan. 26, 1954. That very morning, however, Giap called off the attack.

At the time of the commemoration of the battle in 2004, General Giap said in an interview with Voice of Vietnam News: "I remember President Ho told me, 'you have the right to decide the campaign, fight it if you are sure you can win; if not, don't fight.' Giap said: "Thanks to his saying that, I decided to withdraw the troops when the battle was about to start and changed the tactic." That change in tactic was decisive in the success of the Vietnamese forces. A withering campaign of attrition was conducted against the French forces, whose only lines of supply were air drops into the valley where the Dien Bien Phu base was located, surrounded by steep mountains of tropical rainforest, providing extensive cover for the Viet Minh troupes, and far greater capacity for undetected logistical supply.

Giap launched the attack and siege on March 13, having performed a miracle of logistics in the intervening two months. The Viet Minh mobilized 33,500 *dan cong* (patriotic workers) to assist and support the Viet Minh contingent at Dien Bien Phu, using 2,724 modified bicycles known as *xe tho*, 2,673 junks, and 17,400 horses. Their contribution was essential to enable Giap to wage a protracted conflict. For the period January-May 1954, the *dan cong* contributed 5 million work days to the anti-French resistance.

Bernard Fall wrote, in *Hell in a Very Small Place*: "The Viet Minh had at its disposal a total of 600 Russian *Molotova*, 2.5-ton trucks for which barely passable roads and river ferries had to be built by tens of thousands of coolies. But the mainstay of the supply system was the tough bicycle-pushing human supply columns; a rider would carry often 200 kilos (440 pounds) of supplies on a standard bicycle whose seat



The Viet Minh mobilized 33,500 workers to support the armed forces at Dien Bien Phu, using 2,724 modified bicycles, 2,673 junks, and 17,400 horses. Their contribution enabled General Giap to wage a protracted conflict. The photo shows Viet Minh transport on the road to Dien Bien Phu.

had been replaced by a short holding stick and whose handlebars had been extended by another stick permitting the vehicle to be easily guided even when heavily loaded. Some 8,286 tons had been shipped over 600 miles of jungle from China to Dien Bien Phu: 4,620 tons of petrol products, 1,360 tons of ammunition, 46 tons of spare weapons, and 2,260 tons of consumable goods, including 1,700 tons of rice, of which 400 were eaten by the carrier columns on the trek.”

In the end, the French forces would be devastated by the lack of logistics in depth, the passionate sense of mission that motivated the Viet Minh forces, and the choice of a theater of battle that was a certain death trap.

The French seriously underestimated the stamina and determination of the Viet Minh. Reports reaching the French about the massing of artillery in the hills around them were dismissed by the French as impossible. Alfred McCoy, author of *The Politics of Opium in Southeast Asia*, writes: “Confident that the Viet Minh could not possibly transport sufficient heavy artillery through the rough mountain terrain, the French generals ignored these warnings. When the artillery duel began in March 1954, French generals were shocked to find themselves outgunned; the Viet Minh had 200 heavy artillery pieces with abundant ammunition, against the French garrison’s 28 heavy guns and insufficient ammunition.

“On the French side, estimates of supplies parachuted into Dien Bien Phu from March 13 to May 7 varied from 6,410 to



6,900 tons, and daily figures from 117 tons to 123 tons; but actually received usable supplies reduced this to about 100 tons per day. While this was not enough, it was a great deal more than any besieged fortress had received during World War II, from Corregidor to Stalingrad.”⁴

4. McCoy, Alfred W., *The Politics of Heroin in Southeast Asia* (New York: Harper & Row, 1972), p. 105.



Gen. Vo Nguyen Giap reviewing the troops, 1951.

A long-time friend of Presidential candidate Lyndon H. LaRouche, U.S. Army Col. Malloy Vaughn (now deceased), had been sent to Dien Bien Phu, on a special mission, which he related to this author, to evaluate the potential use of nuclear weapons in the theater, at the request of then Secretary of State John Foster Dulles.

Colonel Vaughn found that the French were self-defeated long before the major battle began. Despite the fact that they had been given the most advanced tanks available by the U.S., they literally turned them into bunkers, rendering them immobile in what was admittedly hostile terrain. In Saigon, Colonel Vaughn repeatedly witnessed the off-loading of life-saving medical goods intended for Dien Bien Phu in Saigon, where they were exchanged for cases of fine French wine. Reportedly, the French had stocked some 48,000 cases of vintage wine in Dien Bien Phu. French officers also kept their mistresses in camp.

In Dien Bien Phu itself, he noted that the entrance to the structures which served as underground bunkers were only dug wide enough for a single person to crawl in, such that if a French soldier was killed in the bunker, other soldiers, with no place to take cover, would become easy targets for the Viet Minh firing into the French compound.

Geneva

On May 7-8, 1954, the Viet Minh divisions overwhelmed the garrison. Estimates of the French killed were 3,000, with 10,000 captured, and estimates of 10,000 Vietnamese dead.

Simultaneously, on May 8, Vietnamese, French, Russian, Chinese, British, and American delegates sat down together for the first time in Geneva, Switzerland to discuss peace settlements in Korea and Vietnam. With the sudden military collapse of the French forces, the issue of Vietnam and Vietnamese independence could not be bypassed, no matter how

much the Dulles brothers (Secretary of State John Foster Dulles and CIA Director Allen Dulles) wished they could.

OSS officer Archimedes Patti, who had worked closely with Ho Chi Minh during World War II, described the scene as the second phase of the Geneva conference met at 4 p.m., on May 8, 1954:

“All the conferees had come with specific motives, none of which was altruistic: France had lost the will to fight and wanted a quick settlement; the United States had failed to keep France in the fight against the spread of communism in Southeast Asia through united military efforts, but still pursued containment as a goal; Britain wanted to restore peace and reduce the international tension which adversely affected

its interests in that region; Communist China was seizing the opportunity to face the United States on an equal footing in matters of international significance; and the Democratic Republic of Vietnam (DRV) wanted, and expected, to be recognized as a sovereign entity to be dealt with on its own merit.

“Of all the participants, the United States was the most encumbered ideologically. All along we had voiced concern for Indochina’s future status as an independent state in various forms and in many forums. With the passing of time the concept of self-determination for the Indochinese became confused and eventually degenerated into mere lip service, although remaining an ideological ‘hang-up.’ At Geneva, [former U.S. Secretary of State Dean] Acheson and Allen Dulles talked only of ‘containment of communism,’ not the freedom from French rule for which the Viet Minh had fought so hard.”⁵

Ho Chi Minh was faced with a dilemma at Geneva. One option was to demand Viet Minh control over all of Vietnam, or at least a coalition with prominent Viet Minh participation. This option would be backed up by a threat to extend military operations from the North into the southern section, still under French control, if national reconciliation were to be prevented by the French or the U.S.

But Ho knew that Secretary Dulles would not agree to a unified Vietnam with Viet Minh participation, and that such a demand would play into the Dulles faction’s intention for the U.S. to essentially replace the French as an occupying power. Ho decided to take the chance that the U.S. would live up to its anti-colonial heritage, and keep a promise to allow nationwide elections within two years—elections which everyone knew would be won by Ho Chi Minh and the Viet Minh.

5. Patti, *op. cit.*, p. 436.



The last helicopter evacuates wounded French soldiers under shellfire.

China's Foreign Minister Zhou Enlai agreed. The new People's Republic of China, established in 1949, had been devastated by the 1950-1953 Korean War. The vast expenditures of human and economic resources in that war had severely held back their plans for internal development. Although China provided substantial aid to the Viet Minh, they did not want to become entangled in another war. Secretary of State Dulles refused to negotiate with China (and famously refused to accept Zhou Enlai's outstretched hand at the Geneva Conference), but Zhou nonetheless encouraged Vietnam to compromise, by accepting a "temporary" division of the country into North and South at the 17th parallel, with the promise of a nationwide election in the near term. That promise was made at Geneva, but was never fulfilled.

The Nuclear Option

Had Truman still been President at the time of Dien Bien Phu, or if President Dwight Eisenhower had accepted the utopian dogma of "air power" and preventive war, Dien Bien Phu could well have become the beginning of World War III (see box). Although Eisenhower accepted the "domino theory," and wanted to stop what he saw as the spread of communism in Asia, he understood the principle of strategic defense, and the consequences of imperial thinking.

From the moment President Eisenhower took office in January 1953, there was intense pressure on him, from within his own administration and from certain military leaders, to join the French militarily in their war with the Viet Minh, even if it meant a nuclear strike on China. John Foster Dulles had even proposed using nuclear weapons to save the French

at Dien Bien Phu.

On April 29, in the midst of the Battle of Dien Bien Phu, Eisenhower told his National Security Council: "To go in unilaterally in Indochina or other areas of the world which were endangered, amounted to an attempt to police the entire world. If we attempted such a course of action, using our armed forces and going into areas, whether we were wanted or not, we would lose all our significant support in the free world. We would be everywhere accused of imperialistic ambitions."⁶

Ike accused the French of using "weasel words in promising independence; and for this one reason, as much as anything else, [they] have suffered reverses that have been really inexcusable." The French had alienated the non-communist Vietnamese, he said, in the same way the British had lost the War of American Independence by treating the majority of Loyalist Americans as "colonials and inferiors."⁷

Historian Stephen Ambrose, in his book *Eisenhower: Soldier and President*, relates that "Five times in 1954, virtually the entire National Security Council, Joint Chiefs of Staff, and State Department recommended that he intervene in Asia, even using atomic bombs against China. . . . Five times he said no."

Only with the end of Eisenhower's Presidency in 1961, and the assassination of his successor, John F. Kennedy, in 1963, were the utopians able to achieve their intention of dragging the U.S. into a full-scale colonial war in Asia.

After 50 years, the battle of Dien Bien Phu is still a reminder of the folly of imperial ambitions, and the fact that a sovereign nation, ultimately, can not be defeated through bestial policies of shock and awe by an occupying power. The utopians of our day have clearly failed to learn that lesson. The Vietnamese would be well served if patriots around the world would join in the commemoration of their great victory.

Suggested Reading

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 Melanie Billings-Yun, *Decision Against War: Eisenhower and Dien Bien Phu, 1954* (New York: Columbia University Press, 1988)
 Stanley Karnow, *Vietnam, A History* (London: Penguin Books, 1983)

6. Melanie Billings-Yun, *Decision Against War: Eisenhower and Dien Bien Phu, 1954* (New York: Columbia University Press, 1988), p. 144.

7. *Ibid.*, p. 151.

The Issue of Effective Leadership: General MacArthur's Inchon Flank

by Steve Douglas

In the days after the Nov. 2 Presidential election, Lyndon LaRouche spoke of the special qualities of leadership that a great commander in chief represents, and how that type of leadership—which LaRouche uniquely embodies—is what is desperately needed in the United States today. He cited Gen. Douglas MacArthur's design and conduct of the Battle of Inchon in the Korean War as exemplary of this quality. This summary of that brilliant flanking operation by MacArthur is provided for historical background.

On June 25, 1950, ten divisions of the North Korean Armed Forces, backed by 1,643 heavy guns and Soviet tanks, streamed across the 38th Parallel and attacked the Republic of Korea. This action was undertaken as an included feature of an asymmetrical warfare response on the part of the Soviet Union and China, against the aggressive maneuverings of U.S. President Harry Truman and his Anglophile controllers and handlers in the U.S. State Department. Meeting in emergency session on June 25, and again on June 27, the United Nations Security Council called for the use of force “to repel the armed attack.”

Gen. Douglas MacArthur, serving as Supreme Commander of Allied Headquarters in Japan and director of reconstruction efforts in that shattered nation since 1945, flew to the front in Korea to survey the situation on June 29. He immediately concluded that the commitment of U.S. ground troops were necessary, if the North Korean onslaught were to be halted and reversed. Notwithstanding the manifest power and support of the U.S. Navy and Air Force in the area, the Army of the Republic of Korea was simply no match for the North Korean divisions. With less than 100,000 soldiers, it lacked armor, anti-tank weapons, and heavy artillery, making it better suited for domestic police actions than repelling a large-scale invasion.

On July 10, MacArthur was appointed Commander-in-Chief of the United Nations forces in Korea. But even as U.S. ground troops that had been stationed in Japan were fed into the conflict, the North Koreans continued their advance southward. Morale among the allied troops was low and sinking, as they suffered repeated battlefield setbacks and steadily retreated toward what in late July was finally established as the Pusan Perimeter.

The ‘Three Battles of Inchon’

On July 23, 1950, General MacArthur launched what was, in actuality, the first of three battles of Inchon. He cabled Washington with his audacious proposal for a two-division corps (30,000 troops) amphibious flanking assault at Inchon—a surprise landing hundreds of miles behind the North Korean front lines. MacArthur recognized that the Pusan beachhead/perimeter could not be maintained indefinitely, for both political and military reasons. So he decided to remedy the situation with a bold counterstroke. The surprise landing at Inchon was conceptualized as a blow which would relieve the pressure on Pusan, and secure victory in the war in totality, *in a single stroke*. His proposal to his superiors in Washington stated:

“Operation planned mid-September is amphibious landing of a two-division corps in rear of enemy lines for purpose of enveloping and destroying enemy forces in conjunction with attack from south by Eighth Army [in the Pusan area]. I am firmly convinced, that early and strong effort behind his front will sever his main lines of communications and enable us to deliver a decisive and crushing blow. . . . The alternative is a frontal assault which can only result in a protracted and expensive campaign.”

So it was that MacArthur commenced the “First” Battle of Inchon—against the unanimous opposition of the U.S. Joint Chiefs of Staff, including emphatically its Chairman, Gen. Omar Bradley. Bradley had declared his unequivocal opposition to the undertaking of amphibious landings—of precisely the sort that MacArthur wanted to undertake at Inchon—in the course of testimony to Congress in October 1949.

The “Second” Battle of Inchon was waged against the North Korean Armed Forces during and after the landing.

The “Third” Battle of Inchon was fought by MacArthur against President Truman and the U.S. State Department, following his victory over the North Koreans on the battlefield.

The battle which MacArthur had to conduct against the Joint Chiefs in order to secure their grudging and belated authorization for his Inchon design, is paradigmatic of what the distilled essence of warfare actually is—combat in the realm of ideas. No shots were fired in the course of MacArthur's fight with the Joint Chiefs, yet, *it was precisely in that*



Gen. Douglas MacArthur (seated) and other officers observe the shelling of Inchon from the USS McKinley, Sept. 15, 1950. "Surprise," MacArthur told the naysayers in Washington, "is the most vital element for success in modern war."

conflict that the historic Battle of Inchon—with its attendant potential for ending the entire war—was won. The performance of the land, sea, and air components of MacArthur's assault force was incontestably brilliant on the day of the landing, and thereafter. But it was MacArthur's victory against the Joint Chiefs in the conference room which secured the basis for his troops' spectacular triumph on the battlefield.

Washington Foot-Dragging and Opposition

To say that Washington, including President Truman's Anglophile entourage, was unenthusiastic about MacArthur's plan, is the political understatement of the Korean War. For three full weeks, the Joint Chiefs maintained a stony silence. Finally, they cabled MacArthur to inform him that Gen. J. Lawton Collins, Army Chief of Staff, and Adm. Forrest Sherman, Chief of Naval Operations, were coming to Tokyo, to "discuss" the matter with him. So it was, that on Aug. 23 a strategy summit was convened, involving MacArthur, Collins, Sherman, Gen. Lemuel Shepherd (Chief of the Marine Corps), and a host of additional admirals and generals and their chiefs of staff, to discuss the pros and cons of MacArthur's proposed Inchon operation.

Summing up the Navy's extensive, initial presentation, Admiral Sherman said, "If every possible geographical and naval handicap were listed—Inchon has 'em all." His staff had delineated a number of them:

- The horrible tides at Inchon: On the projected date of the landing, the tides would rise and fall 30 feet (!). At low

tide, quicksand-like mud flats stretched out 2 miles into the harbor, away from the landing beaches. Whatever troops could land in the two hour window around high tide in the morning, would be "on their own" for the day. The landing craft which brought them in would be stuck in the mud, helplessly exposed, until the next high tide came in twelve hours later, to float them out.

- The main approach to the port of Inchon, "the Flying Fish Channel," was a narrow, winding channel, with treacherous currents of up to six knots. Any ship sunk at a particularly vulnerable point in the channel, could block access to the port for all other ships.

- The formidable Wolmi-Do Island fortress, which rose 350 feet above the water at the mouth of the harbor, could not be "softened up" by pre-invasion bombardment and bombing, because to do so would forfeit the element of surprise in the landing, which was the key to its success.

- The landings would have to be made in the heart of the city, itself. This meant that the enemy would have a series of excellent strong

points, from which to wage resistance against the first wave of Marine assault troops.

Following these and other objections raised by the Navy, Army Chief of Staff Collins weighed in with an even longer litany of objections. Among his contentions:

- Inchon was too far removed from Pusan, to have an immediate effect on that battle area. It was so far away, that the Inchon forces and those of Walker's Eighth Army would not be able to complement one another, as pincers, in a joint action.

- MacArthur's plan called for extracting the First Marine Brigade from Pusan, and attaching it to his landing force at Inchon. This would so weaken the already tenuous defenses at Pusan, that it could collapse the entire defense perimeter.

- MacArthur's troops moving out from Inchon, would likely encounter heavy enemy resistance around Seoul, and could suffer an overwhelming defeat.

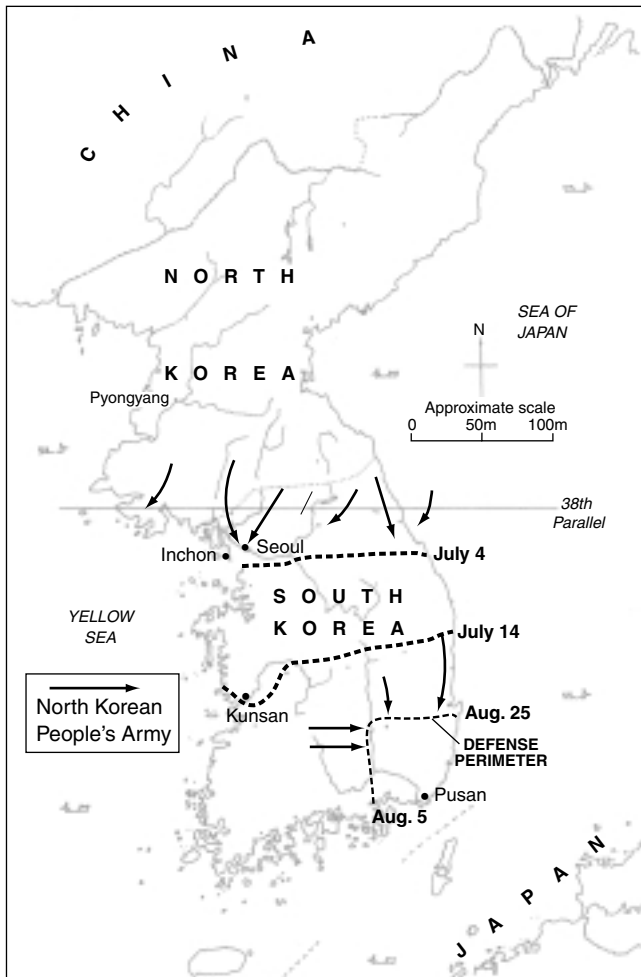
- Collins propounded an alternative to Inchon—a landing at the west coast part of Kunsan. This city was within 100 miles of the Pusan Perimeter, had better landing beaches, and few of Inchon's imposing physical obstacles. Admiral Sherman immediately endorsed Collins' proposal, whereupon Collins concluded his presentation.

MacArthur's Triumph over Washington

The silence that gripped the room, thereafter, was matched only by the tension generated by the attendees' anx-

FIGURE 1

The North Korean Invasion of South Korea, June 24-September 1950



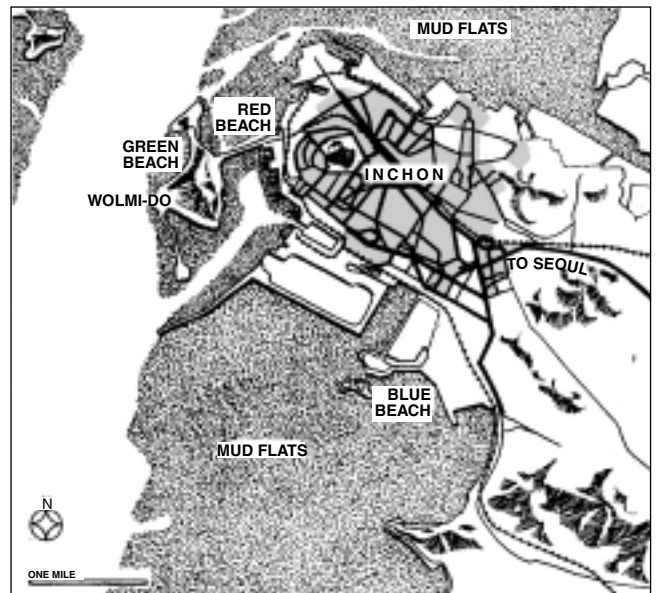
ious anticipation of MacArthur’s response. MacArthur began noting that the enemy had committed the bulk of his troops in deployment against General Walker’s defense perimeter. MacArthur was convinced, that the enemy had not properly prepared Inchon for defense:

“The very arguments you have made as to the impracticalities involved will tend to ensure for me the element of surprise. For the enemy commander will reason that no one would be so brash as to make such an attempt. . . . Surprise is the most vital element for success in modern war.”

MacArthur then went on to describe how, using the element of surprise, just as he intended to do, Gen. James Wolfe was able to defeat the Marquis de Montcalm at Quebec in 1759. The Marquis had believed that the steep riverbanks south of that city were impregnable, and so left them undefended. Wolfe’s forces did the “impossible,” scaled those heights, surprised and defeated Montcalm, captured Quebec,

FIGURE 2

Inchon and Its Harbor: Low Tide



and effectively ended the French and Indian War.

Turning to Admiral Sherman, MacArthur acknowledged the validity of his expressed concerns. He added, however, that he had developed a deep respect and appreciation for the exceptional capabilities of the U.S. Navy during the course of World War II, and he was, therefore, confident that it was entirely capable of overcoming even the formidable obstacles which Sherman had so compellingly enumerated.

As for the proposal to land at Kunsan, MacArthur admitted that it would be less risky; but it would accomplish nothing of any strategic consequence:

“It would be an attempted envelopment, which would not envelop. It would not sever or destroy the enemy’s supply lines or distribution center, and would therefore serve little purpose. It would be a ‘short envelopment.’ And nothing in war is more futile. Better no flank movement than such a one. The only result would be a hook-up with Walker’s troops on his left. Better send the troops direct to Walker than by such an indirect and costly process.”

The key to the seizure of Inchon and nearby Seoul, was that *it would cut the enemy’s supply lines, and seal off the entire southern peninsula*. Without supplies, the North Korean troops that were besieging Pusan would become weakened, and have to abandon their positions. MacArthur’s troops at Inchon would become the anvil, against which the hammer of General Walker’s advancing Eighth Army would be wielded.

MacArthur went on:

“The only alternative to a stroke such as I propose, would be the continuation of the savage sacrifice we are making at

Pusan, with no hope of relief in sight. Are you content to let our troops stay in that bloody perimeter like beef cattle in the slaughterhouse? Who would take responsibility for such a tragedy? Certainly I will not.”

After pausing for a moment, in a move that was reminiscent of his conduct in his bold “reconnaissance-in-force” landing on the Admiralty Islands against the Japanese in World War II, MacArthur reassured the assembled leaders:

“If my estimate is inaccurate, and should I run into a defense with which I cannot cope, I will be there personally and will immediately withdraw our forces before they are committed to a bloody setback. The only loss then, will be my professional reputation.”

But, he concluded in an earnest whisper, Inchon would *not* fail, “and it will save 100,000 lives!” The deferential silence that filled the room was punctuated only by Admiral Sherman, murmuring in admiration, “A great voice in a great cause.”

It was only on Aug. 29 that the Joint Chiefs of Staff finally notified MacArthur of their approval for the landing at Inchon. Had he waited until then to commence his preparations, he never would have been ready for the Sept. 15 landing date.

On Sept. 8, only seven days before the target date, the Joint Chiefs sent MacArthur yet another message of misgiving, expressing their apprehension about the entire enterprise:

“We have noted with considerable concern the recent trend of events in Korea. In light of the commitment of all of the reserves available to the Eighth Army, we desire your estimate as to the feasibility and chance of success of the projected operation if initiated on the planned schedule. . . .”

After MacArthur recapitulated his reasoning about Inchon, he finally received a message that stated simply “Approved . . . so informed the President.”

Such was the fight which MacArthur had to wage within his own ranks, in order to gain clearance for his flanking/envelopment maneuver at Inchon. It proved to be more difficult than the landing itself, on Sept. 15. The first assault wave did not suffer a single fatality, as the element of surprise was complete. Within three days, General Walker was reporting palpable dislocation of the enemy forces around Pusan, as the effects of the disruption of their supplies began to make themselves felt. By Sept. 28, Seoul was liberated. In the two weeks after Inchon, over 130,000 North Korean soldiers were taken prisoner, as the gigantic pincer movement between Inchon and Pusan was completed, just as MacArthur had conceptualized it. He immediately hastened to reinstall the government of President Syngman Rhee, as the civilian authority in Seoul. But for the sabotage of the U.S. State Department and its British collaborators, peace was within reach.

Truman and State Department Sabotage

The “Third” Battle of Inchon—the one MacArthur fought against President Truman and the U.S. State Depart-

ment—was the one he lost. In the immediate aftermath of the stunning battlefield successes of MacArthur at Inchon and Seoul, *the State Department adamantly refused to offer effective terms of surrender to North Korea*, notwithstanding MacArthur’s insistence that it do so. It is through the aperture of this critical moment of the Korean conflict, that one can see most clearly, the nature of the indispensable relationship between victory on the battlefield, and a timely, viable “exit strategy”/peace offer, as the central inseparable components of the necessary process, by means of which peace can be secured. Brilliant, hard-fought victories won on the fields of war, are condemned to be squandered as “lost victories,” otherwise. Regarding the crucial period immediately after Inchon, MacArthur stated:

“Unquestionably the failure . . . of our diplomacy to utilize the victory of Inchon as the basis for swift and dynamic action to restore peace and unity to Korea, was one of the greatest contributing causes to the subsequent war initiated by Red China.”

General Whitney furthermore reported, that General MacArthur expressed his surprise, unhappiness, and sense of foreboding to General Walker, during the days after the Inchon victory, as the State Department continued to maintain its deafening silence:

“The whole purpose of combat and war is to create a situation in which victory on the battlefield can be promptly translated into a politically advantageous peace. Success in war involves political exploitation as well as military victory. The sacrifices leading to a military victory would be pointless if not translated promptly into the political advantages of peace.

“The golden moment to liquidate this war which has already been won militarily, now presents itself. . . . But I am beginning to fear a tremendous political failure to grasp the glittering possibilities of ending the war and moving decisively toward a more enduring peace in the Pacific.”

What General MacArthur failed to understand, was that the Anglophile Washington, D.C. policymaking establishment *did not want to* “grasp the glittering possibilities of enduring peace in the Pacific.” They wanted a protracted, no-win war, through which they could establish the principles of Cabinet warfare that were to be wielded against the nation-state, on behalf of a “one-world government” empire, during the post-war period. MacArthur’s unexpected victory at Inchon took the U.S. State Department and its Anglophile cohorts as much by surprise, as it did the General’s North Korean military adversaries! The State Department Anglophiles could not stop MacArthur from winning at Inchon; but they could, through diplomatic sabotage, prevent the victory from ending the war, as indeed, they did. In the absence of State Department peace initiatives, MacArthur himself made a peace offer to the commander-in-chief in North Korea, on Oct. 1. But without the full backing of the U.S. government, MacArthur’s overture fell on deaf ears.

Criminal Insanity

In the weeks immediately prior to the Nov. 2 Presidential elections, Lyndon LaRouche was very straightforward with the American people. The issue, he said, is that President George W. Bush is insane, and that, unless the American people vote him out of office, the effects of that insanity are going to be played out with devastating consequences for the U.S. population, as well as the world.

Today, we are faced with a re-elected George Bush, who is apparently crazier than ever, denying the reality of the disasters which his policies have wrought in Iraq and the world financial system, and seemingly determined to get rid of anyone in his administration who might dare challenge his insanity. You'd have to be a fool not to be alarmed.

In addition, as could be expected, the media that suppressed evidence of the Administration's criminality in the run-up to the election, is now spewing forth reams of evidence of the *criminal* insanity of the Bush Administration's actions, particularly in relation to the war in Iraq and against terrorism. The evidence includes new reports of horrendous physical abuse of prisoners under U.S. control in Guantanamo and Iraq, coming from both reports by the Red Cross and the U.S. Army, and the incontestable assertions that the Bush Administration has decided to disregard the U.S. Supreme Court decision on due process for Guantanamo prisoners.

What's to be done about a criminally insane Administration? Two approaches immediately suggest themselves.

First, we must face the fact that the U.S. population *itself* had to be at least substantially insane in order to elect this President, and his evil-intentioned Svengali, Dick Cheney. There was no special knowledge required to figure out that the President's approach to the economy had savaged the living standards of the lower 80% of income brackets, and would do so even more in his second term. Nor did you need to have special intelligence to see that the war in Iraq was blowing up in our faces. Only the desperate, or deluded, desire on the part of people to ignore these realities, could have led them

to vote for Bush-Cheney once again. Admittedly, some of these pro-Bush voters were certified irrationalists, in the form of religious fundamentalists, or "Christian" Zionists. But others were not.

So, the first order of business, in order to save our nation from the lunatics in power, is to make our fellow citizens sane. This is the leading mission of the LaRouche Youth Movement, which is currently engaged in intensive dialogue with the population on the streets, throughout the country. Classical music, geometry, and pedagogical discussion on the actual dynamics of the physical economy are tools which they are wielding with some visible success.

Second, as is suggested in our article on vote suppression in this issue, we must *tell the truth* about what happened in the Nov. 2 elections, and seek to have the population come forward to defend its civil rights.

In his post-election webcast, held Nov. 9, LaRouche didn't pull any punches about the election. He said that what had occurred was the equivalent of a not-so-cold coup, through the exercise by Republican Party officials of *vote suppression*. Vote suppression, LaRouche went on, is a violation of the Voting Rights Act, which itself is an implementation of the Constitutional right to vote. Thus, the use of thuggery, subterfuge, denial of resources, and other means in order to deprive people of the right to vote, is a *crime* against the U.S. Constitution, which should be punished.

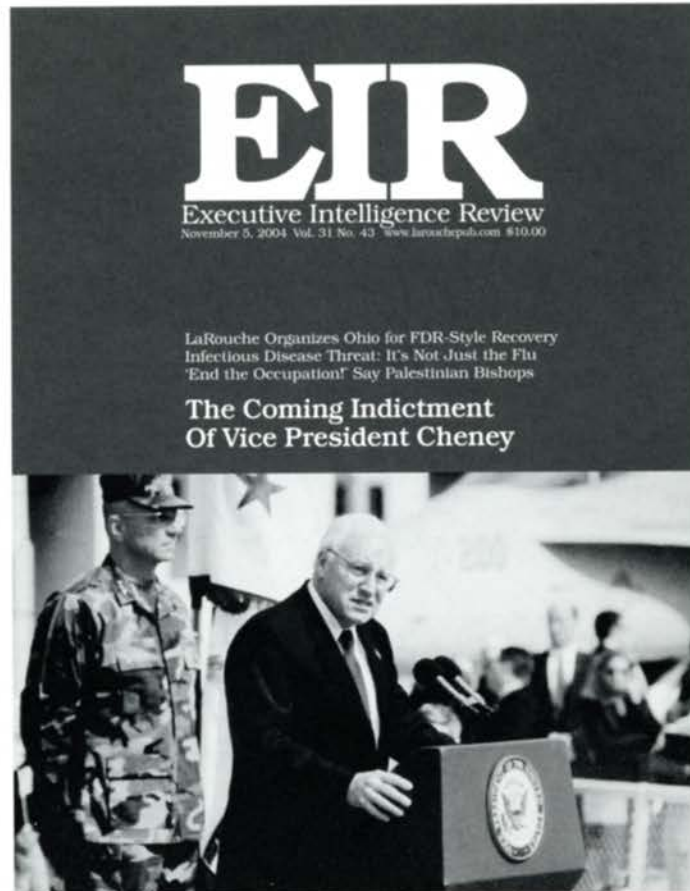
It is not at all clear that the exposure of this crime, and pursuit of criminal charges in the courts, will be successful in derailing the fraudulent election of George W. Bush and Dick Cheney. What we are dealing with here is not a tactic, but a determination to tell the truth, and to act on that truth. But it is clear that if the truth about the crime of vote suppression is not told, there is no chance in the world that the results of the election can be overturned, and the American people brought back to sanity.

Let's not let the White House become a facility for the criminally insane. It's not too late to pursue our civil rights, and ensure the truth be told.

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