INTRODUCTION

Bush's Social Security Privatization: A Foot in the Door for Fascism

On Dec. 16, 2004, Lyndon LaRouche, former candidate for the 2004 Democratic Party Presidential nomination, and the recent founder of the LaRouche Political Action Committee, gave an interview to WVKO radio in Columbus, Ohio, in which he warned the American people about the imminent danger of a further fascist coup d'etat, if the Bush Administration is allowed to get away with its plans to loot the entire Social Security Trust Fund, under the guise of the Pinochet Chilean Model of "privatization." LaRouche warned:

"If you were going to do this—or try to do it—that is, to bring in the Pinochet Plan [of Social Security privatization], which is, of course now failing in Chile after the 20-odd years it's been in effect, it would fail here. But, the point was, if you wanted to do this and some

AP Photo/Steve Yeater/Pool

Among the arch-plotters against Social Security—or any kind of entitlement: (left to right) George Shultz, California Governor Arnold Schwarzenegger, and Shultz's fellow 'Chicago Boy,' Milton Friedman, in an October 2004 gathering of the Governor's Council of Economic Advisors, which Shultz chairs.

COVER ART Alan Yue

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other things, you had to have a Bush re-election. Without a Bush re-election, there wouldn't be a chance, at all, of pushing this thing through.

"Now, the entire financial system is collapsing. We're on the verge of a collapse, any time now, for a major financial blowout of the U.S. and the international markets. At this point, they're counting on looting Social Security, or having a proof that they *can* loot Social Security, as a way of putting more capital into a depressed U.S. financial market, to try to bail out the gambling side of the financial-market system.

"Now, George Shultz and company, of course, who was one of the original authors of the Pinochet operation down there, is also behind the Bush campaign. And he typifies these big interests, which are behind both.

"They had to commit a fraud to get elected. . . .

"The issue here, the typical issue, right now, up front—and George Bush has made it very clear it's up front—the Chilean model of privatization of Social Security *is* the Bush model. I don't know what *he* understands, but I do know what George Shultz understands. . . .

"This was done in Chile in 1981. That is, Pinochet came in, in 1973; he was part of Operation Condor, this mass-murder operation through the Southern Cone of South America. This was done by the 'Chicago Boys'; that is, the banking side was the Chicago Boys, of whom George Shultz was a key man. And George Shultz is the man who was the architect of the George W. Bush Administration. He's the guy who brought Condoleezza Rice into the picture. He's the one that was behind Cheney, and Cheney organized the composition of the initial current Bush Administration. This is the combination. It's the same bunch of guys.

"There's also another story behind this, you know: Back in the 1970s—and it's now been exposed since 1990, but it's coming out big now. There'll be books on this published in February and so forth. But, leftovers of the old Nazi system were brought into the European and U.S. security system. Elements of this, of the old Nazi apparatus, were run down into South America, into Mexico, into Argentina, into Chile, elsewhere. They were run down there on what was called the 'ratline' operation. They have been used, like this Della Chiaie case and so forth, they have been used as mass murderers—that is, as special hitmen—used throughout the region: They're the ones that killed the thousands of people to consolidate, in Chile in particular, to consolidate the regime down there.

"We now have an explosion, on the issue of this hitman problem, of the Nazi hitmen, and their successors today.

"This swindle on stealing Social Security funds, which is worldwide: It's not only in Chile; it's in Peru, which is under attack; Mexico; the United States; in Germany, the welfare system is under attack under 'Hartz IV'; under the current Finance Minister of France, Sarkozy, it's also under attack. So, we have a worldwide onslaught by bankrupt banking-system people, to try to grab the very large social welfare funds of governments, now. And the United States is one of the parts. And the Bush candidacy and the election, very much involved—as Bush has made clear—that his immediate, number-one target, after winning an election, was to steal Social Security. . . .

"[George Bush says he supports the dollar, but] he can't support the dollar—he *can not* support the dollar. Not under the present circumstances. Why? Because it takes $2 billion, coming in every day, from outside the United States, to keep the U.S. dollar from collapsing—and *it is* collapsing!

"Now, that money is beginning to dry up.

"What they need the Social Security funds for now, is to try to put a stimulus into the financial market, through multiple—just to build up the market, the financial market: Because they know that very soon, there is going to be a real avalanche, that's going to hit the U.S. financial market. That's inevitable. They want to steal Social Security—they're going to steal *all of it;* not some of it. What they're talking about is the shoe in the front door, but they intend to put the whole foot in.

"Once they get the first step, then you will see, as they did with the Iraq war, get the first step, get in there, and the whole thing comes.

"We are now not fighting just over an issue of welfare. We are fighting over a welfare issue. Just as the welfare issue was the issue, which was key in Europe when Mussolini and Hitler came to power: We're faced with a threat of dictatorship. And if we can not mobilize political resources, especially in the United States, to *stop this thing now,* we will have given up our Constitution and our rights. And when these guys come after us, they're going to come all the way—because they are faced with a broken-down system, and they're going to go for a dictatorship. . . .

"This *nutty* President is out to *steal* the Social Security of the American people. Not just a few poor people. We're talking about the majority of the American people who will be looted by this thing—and many *will be killed* by it. When you combine this with the effect on the health-care situation, people will be *murdered,* by this kind of policy.

"If we combine these issues, which involve the *intent* of the American people to vote for a government—do they want a government that kills them?

" 'Well, I voted Republican!'

" 'Did you vote for them to kill you?'

" 'No, I didn't do that!'

" 'Well! Let's take a look at this thing, then. Maybe we can do something about it.'

"You have to get at it this way. You have to get it with brass knuckles, on issues. You have to get out and fight—not namby-pamby, not maybe-so, not this doubletalk. And get out there and mobilize the people.

"The problem is, we have not been giving the people leadership. Now, as you know, small people who don't have much power, are not going get out there and fight, generally. They're going to look for leadership. And they do not trust the people who are their leaders.

"We have to—we who are willing to lead—we have to prove to them, that they have leaders that they can trust."

* * *

LaRouche's call to action—to *your* action, now that you have this pamphlet in your hands—comes not a moment too soon.

Right now, the Bush Administration is on a manic drive to sell its plan for "Social Security privatization," a plan modelled on the one implemented by the Chilean dictator Gen. Augusto Pinochet back in 1981. On the face of it, the plan is Grand Theft of the sort that makes Enron look like petty larceny. Bush is proposing to steal trillions of dollars in hard-earned retirement funds to bail out a hopelessly bankrupt monetary system. He's prepared to throw the old and sick on the scrapheap. And the very same propaganda machine that brought you the Iraq war disaster is already gearing up a new Big Lie campaign, to convince you that it is in your interest to turn over your hard-earned retirement funds to the biggest gang of Wall Street swindlers and fools ever to walk the planet.

What Bush is planning to ram through is nothing less than a full-scale fascist austerity regime, the Hitlerian kind that the Synarchist bankers were unable to put in place in the U.S. in 1933, because of Franklin Roosevelt, but *were* able to install in Chile in 1973.

That plan can be stopped again—as FDR did 70 years ago. Under LaRouche's leadership, Americans can be mobilized to turn Bush's manic drive to privatize Social Security, into his Waterloo. Bush *can* be stopped, and this pamphlet is the critical political ammunition to do so.

The fact is that the Chile privatization of social security was never the bankers' main objective. The real prize was always the United States. The very same cast of characters that orchestrated the Chile project—a fascist coup to loot an economy into bankruptcy, and then to resurrect the corpse and loot it again by stealing the social security fund—this same crew is pushing the U.S. project today.

The Chilean Labor Minister who personally sponsored the pension fund heist was José Piñera. Today Piñera is a close advisor to Bush, and the leading spokesman for the global Social Security privatization project, and has been for decades. He functions out of the Washington-based Cato Institute, and travels the world over promoting the Chilean model of theft.

But even more significant is the role of George Shultz. Shultz has been there every step of the way for the Chile project. From the Nixon Administration he helped orchestrate the Pinochet coup. And he justified it on the basis of the University of Chicago economic policies, of which he is a leadling light.

In his autobiography, he put it this way: "General Augusto Pinochet came to power, bringing dictatorship and repression to the political scene. But he did restore prosperity to the economy. Chileans trained in free-market economics at the University of Chicago applied the ideas of classical economics, opening the Chilean economy to international competition, eliminating subsidies, relying on market signals to direct investment, seeking fiscal balance and a stable monetary policy. These policies worked."

Then, from his role as an advisor to the incoming Reagan Administration, in 1981, Shultz visited Piñera and asked the former Chilean Labor Minister to provide him with a one-page memo on the pension privatization plan, for Shultz to try to sell the scam to Reagan. *Shultz's Chicago Boys in Chile had barely implemented social security privatization there, and Shultz was already trying to ram it down the throat of the U.S.—23 years ago!*

Now today, Shultz is an *eminence grise* of the George W. Bush Administration, and he wants to finally get his policies through.

The lesson should be clear. From 1971 on, the bankers' Leporellos in the United States and elsewhere have known full well that they must either junk their financial system, or move to "save" it with global fascism. For the past 30 years they have sought to wipe out the opposition to fascism, including most prominently Lyndon LaRouche, and to create the conditions under which a broken American population would welcome its imposition, first in the rest of the world, and finally, at home. After Sept. 11, 2001, they thought they had their coup, but they have been unable to consolidate it, again in large part due to the leadership of the resistance exercised by LaRouche.

Now, with the virtual coup carried out through voter suppression which led to George W. Bush's being declared the winner of the Nov. 2 Presidential elections, the Synarchist bankers think they have the opportunity they've been waiting for.

They are wrong. Bush's manic drive to push through Social Security privatization may be the biggest mistake of his political life—and lead to his downfall. As Lyndon LaRouche put it: "This may be the end of George Bush. This may turn him into a cooked, lame duck, because of this desperation to plunge ahead with this swindle on Social Security."

I. THE CHILE STORY

INTERVIEW
Chilean Labor Leader Tells Americans: Say No to Fascist Pension Plan

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Chilean labor leader Arturo Martinez of the CUT.

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

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

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

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

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

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

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

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

EIR: And the others?

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

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

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

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

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

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

EIR: Which are the majority, it appears.

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

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

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

EIR: This question of "labor mobility" is the World Bank's plan.

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

EIR: When was that?

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

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

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

EIR: Do you have a written proposal on this?

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

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

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

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

Chile: A Synarchist Showcase

by Dennis Small and Cynthia Rush

If President George W. Bush and his controllers have their way, the United States will soon be following in Chile's footsteps—straight into hell. Bush himself has been explicit. In Santiago, Chile for a Nov. 19-21, 2004 summit of APEC, he stated that "Chile provides a great example for Social Security reform."

They may not have told the President yet, but it is more than Social Security privatization that his synarchist controllers seek to replicate from the Chilean model. Chile is their test-tube case for:

1) The untramelled looting of the country's physical economy and labor force, under three decades of the lunatic doctrine of free trade, as concocted by the notorious "Chicago Boys" disciples of George Shultz and Milton Friedman.

2) The bankruptcy meltdown of the national banking system under a mushroom cloud of financial speculation, and its resurrection based principally on a gigantic captive income stream, coming from the privatization of Social Security.

3) The use of cold, political terror and police-state repression against all potential opposition to these measures, including "the formation of special teams from member countries who are to travel anywhere in the world to non-member countries to carry out sanctions—up to assassination—against terrorists or supporters of terrorist organizations."

These are the words used in a declassified 1976 FBI memo, to describe the functioning of the assassination squads that had been set up by Chile's Pinochet dictatorship, along with five other South American governments, under the code name *Operation Condor.* If reading this quote made you nervous, because it sounds just like one of Vice President Dick Cheney's latest press conferences or a recent Donald Rumsfeld rant, then you are starting to get our point:

These are the same synarchist forces, intent on carrying out the same fascist policies, in order to defend the same bankrupt economic system. Chile isn't "over there"; it's here.

1. Social Security: 'But It Worked In Chile. . .'

No, Social Security privatization did *not* work in Chile—except for the foreign bankers who stole the money.

Social Security was privatized in Chile in 1981, as per the specifications of Harvard-trained economist and Mont Pelerinite ideologue José Piñera, who had been Labor Minister for Pinochet from 1978-80. After 23 years in operation, the Chilean system is such a flop that almost all political forces in the country—labor, business, government, thinktanks—now agree that it has to be jettisoned, and some sort of an alternative devised. In fact, in early 2005 the Chilean Congress will be reviewing a *government* proposal on how to revamp the bankrupt system—at exactly the point that the Bush Administration is trying to sell the same lemon to the U.S. Congress!

Here's the real story of Chile's social security privatization.

In 1973, at the time of the Pinochet coup, Chile had a U.S.-style "pay-as-you-go" social security system, to which both the worker and his employer contributed, and which covered about 78% of the labor force.

Through a splashy multimillion-dollar propaganda campaign, Piñera and Gen. Pinochet's "Chicago Boys" told Chilean workers the same thing that Bush is telling Americans today. A large number of funds (run by banks, insurance companies, and other financial vultures) would offer workers an array of "choices" on how and where to invest their money, without government meddling. They promised workers a high rate of return and a secure future, if they would switch from the government to the private funds.

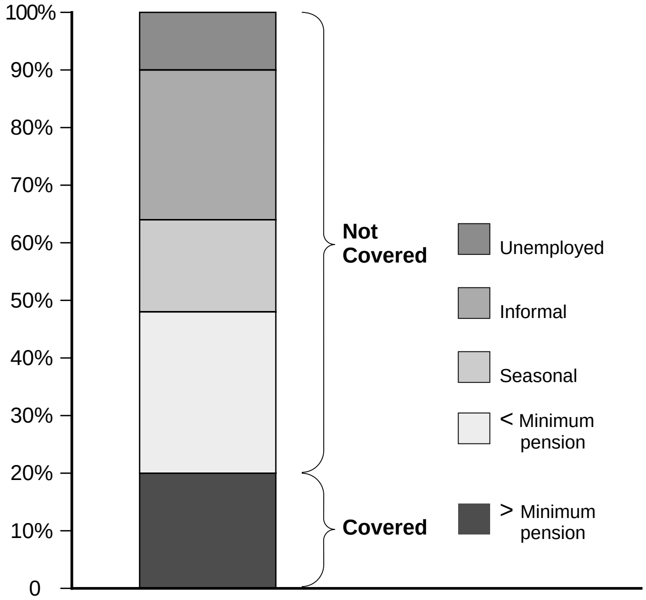
The only thing that "enrollees" would have to do, is allow a mandatory 12.5% of their monthly paycheck to be deducted and deposited into the Pension Fund Administrator (or AFP, as they are known in Chile) of their choice, who would then "wisely" invest the money. Unlike the old system, employers would make no contribution at all.

One million Chilean workers did switch to the new system in 1981. They were offered incentives and rewards, including an initial wage increase. "Most of the Chilean workforce was, in fact, forced to join the new system, including all those workers hired since 1981, who were given no choice at all," according to the Chilean economist and U.N. researcher Manuel Riesco, a member of the board of CENDA (Center of National Studies of Alternative Development).

Where are those workers now? Again Riesco:

"If two co-workers reach retirement age in Chile today, both with the same salary and the same number of years paying into social security, one of whom remained in the old pay-as-you-go system and the other who changed to the AFP system back in 1981, the latter will receive less than one half of the pension of the former."

FIGURE 1
Chile: Social Security Coverage
(% of the labor force)



Source: CENDA (Chile); *EIR* interviews.

How is that possible?

Consider **Fig. 1,** which gives the breakdown of social security coverage for the Chilean labor force of 6.1 million workers today (the total population is about 16 million). For starters, there is about 10% official unemployment; and another 26% (or 1.6 million) are (mis)employed in the so-called "informal economy"—i.e., that vast portion of the economy of every Ibero-American nation that ranges from the semi-legal to the outright illegal, off-the-books activities. Street hawkers and beggars are the classic cases of such informal "employment." None of them pays into the system; none of them gets anything out. In terms of physical-economic reality, these are also de facto unemployed.

At least another million workers (or 16% of the labor force) are under-employed, with seasonal jobs which may last anywhere from a few months to under a year. Half of all such jobs last less than four months. This kind of job insecurity and labor recycling is so widespread in Chile, that many analysts put the number at much more than 1 million. According to the Chilean research institute Terram, 93% of recent employees won't last more than a year in their new jobs. Such workers almost never qualify for social security—because under Piñera's fascist law a worker has to pay in for 20 years, in order to receive benefits upon retirement.

That's already 52% of the labor force who get *nothing* from the privatized social security system. The remaining 48% do pay into the system with some regularity, but 28% of the labor force, or 1.7 million workers, will not qualify for even the minimum pension of $110 a month, which is the state-guaranteed minimum. In other words, their "investment" in their AFP yields less than $110 per month—and the Chilean government has to pony up the difference to that amount, *out of the federal budget.* But most people in this situation don't even apply for this "assistance pension" offered by the state, which today comes to about $50 a month and which, in any event, is subject to a quota ceiling of 300,000 such grants—and there is a long waiting list. To even qualify for such aid, a worker has to prove that he is "indigent"—just like the fascist Hartz IV reforms in Germany. Their only other recourse is to withdraw the meager funds accumulated in their individual pension accounts, once they retire—assuming it hasn't been lost to derivatives speculation by their AFP.

When all is said and done, only 1.2 million Chilean workers—a mere 20% of the country's labor force—qualify for more than the minimum pension of $110 per month.

Enron Had Nothing on Chile's AFPs

The truth is that Chile's private pension system is a gigantic Enron-style swindle. The financial sharks who set it up never intended it to be anything other than a mechanism to loot the workforce and the physical economy, while they and their allied financial predators reaped huge profits.

For starters, the AFPs charge gigantic commissions for their services. The official Superintendent of Pension Fund Administrators (SAFP) estimated that, as of March 2002, some 25-32% of each mandatory deduction went to payment of AFP "commissions." A May 2002 report by the United Nations Development Plan (UNDP), written in conjunction with Chilean experts, found that this adds up to about $500 million in commissions annually. Between 1981 and December 2000, commissions totalled $6.2 billion. This compares handsomely with the $35.5 billion in Assets Under Management (AUM) by the AFPs, as of the end of 2001: it's close to 20% of the total

According to the same report, the owners of the AFPs had an average profit rate of 33.8% in 2001, and 50.1% in 2002 (a year of economic recession in Chile). One of the largest funds attained a profit rate of 209.8% that year! From 1997 to 2004, the average annual profit rate was a cool 50%. Chilean law professor Juan Gumucio aptly remarked that AFP managers "make more money than drug traffickers selling white powder."

CENDA concludes that the country's privatized pension system is the "most protected industry in Chile's history, created by those who criticized our earlier protection of industry." Shultz's Chicago Boys aren't averse to protectionism—so long as they are the beneficiaries.

While the AFPs made out like bandits, not so their enrollees. Where did their money go? In 1981, the total

TABLE 1
Chile: Pension Fund Administrators
(as of Nov. 2001)

Name	Control	AUM (billions $)
Provida	BBVA (Spain); BofNY (US)	11.3
Habitat	Citibank (US)	8.0
Cuprum	Sun Life (Canada)	5.8
Santa Maria	Aetna (US)	4.5
Summa Bansander	Banco Santander (Spain)	3.9
Planvital	Chile	2.0
Total		**35.5**

Source: Salomon Smith Barney

Assets Under Management by the AFPs were about $22 billion. A 1997 World Bank report documented that, although individuals' average rate of return on invested funds started out at 12.7% in 1982, it dropped progressively over the next decade. According to a study prepared by The Century Foundation, by 1994 more than half of the AFPs were incurring losses. In 1995, about two-thirds of what was then a $25-billion national pension fund was invested in highly speculative paper linked to the international derivatives bubble. In September 1995, the funds lost $1.5 billion of their total value, and had negative real returns of –2.5% for that year.

A study by a Chilean brokerage firm, CB Capitales, found that the real rate of return on the individual accounts in the AFPs has averaged only 5.1% since 1982.

Today, 33% of AFP funds, which total $36 billion, are invested in Chilean government debt which, under current conditions of a dollar collapse and global financial upheaval, can hardly be called stable. Current regulations permit up to 12% of the funds to be invested overseas (and there is pressure to increase that allowed percentage), and this share is particularly likely to end up in shaky global derivatives markets. The rest goes into unstable mortgage securities, bank CDs, or corporate debt.

The Synarchist Owners

Who are the real owners of the Chilean AFPs? After starting out with 18 funds in 1981, today there are only six left—and five of them are foreign controlled, accounting for 94% of the total Assets Under Management (see **Table 1**). In other words, Shultz's Chicago Boys handed over some $36 billion belonging to Chilean workers, to his synarchist international banker pals—not a bad heist.

Take the case of Spain's BBVA, which controls almost a third of the Chilean pension system. Banco Bilbao Vizcaya Argentaria has historic links into dirty-money-laundering circles, and—along with Banco Santander—has been the driving force of Spain's imperial re-colonization of Ibero-America's entire financial system, on behalf of British interests. Banco Santander, which controls one of Chile's major AFPs, is also the single largest foreign bank in Ibero-America, controlling 9% of the continent's banking assets.

Banco Santander is a real piece of work. It is an old, oligarchic Spanish banking house, dating back to 1857, whose current owner, Emilio Botin, is considered the richest man in Spain. Under Botin, Santander established a "strategic alliance" in 1987 with none other than the Royal Bank of Scotland (RBS), which is at the center of the British royal family financial apparatus. One of the leading members of the board of RBS, the Earl of Airlie, was until 1984 president of Schroeders plc, the British merchant banking house which, with its German corresponding bank, helped finance Hitler's rise to power in the 1930s.

In 1999, Santander signed a second strategic alliance with another hard-core synarchist financial institution: Assicurazioni Generali, the infamous and ultra-powerful Venetian insurance house, which helped put Mussolini in power in Italy.

Where Chile led on privatizing social security, the rest of Ibero-America followed (see **Table 2**). The only major countries that have not yet followed suit, are Brazil and Venezuela. Of the five main privatized systems, Chile's is by far the largest. As Table 2 also indicates, the level of foreign control in those five countries is a dramatic 89%—which surpasses even the level of foreign banking control in those countries, averaging some 62%.

But it is the same foreign synarchist banks which control both the AFPs and the commercial banks: BBVA, Santander, and Citibank (see **Table 3**).

Is this what Bush means when he says the U.S. should follow the Chilean model of Social Security reform? Do you really want your pension in the hands of the same synarchist bankers who put Hitler and Mussolini in power?

2. The Economy: Resurrecting a Corpse

Now we turn our attention to the broader economic process of which Chile's Social Security privatization was a part—i.e., the other features of the Chilean model which Bush et al. also intend to copy here. For this, we rely on a study first published by Executive Intelligence Review magazine in its July 21, 1995 issue, which revealed the fraud behind the promotion of the so-called "Chilean economic miracle."

On Sept. 11, 1973, Gen. Augusto Pinochet led a military coup which overthrew the socialist government of Salvador Allende. Chile under Pinochet became the first country in the world to adopt the economic quackery of 1976 Nobel Economics Prize winner Milton Friedman of the University of Chicago, where George Shultz was

TABLE 2

Foreign Control of Pension Funds and Banks

Country	Year Privatized	Pension AUM (billions $)	% Foreign Controlled	Bank Assets (billions $)	% Foreign Controlled
Argentina	1994	22.2	91%	65.3	37%
Chile	1981	35.5	94%	159.4	6%
Colombia	1994	4.2	78%	31.9	17%
Mexico	1997	22.3	77%	165.0	82%
Peru	1993	3.2	100%	17.1	63%
Total		**87.4**	**89%**	**438.7**	**62%**

Source: Salomon Smith Barney; EIR.

TABLE 3

The Top 3 Controllers of Ibero-America's Pensions and Banks

Bank	% of Pension Assets	% of Bank Assets
BBVA (Spain)	25%	8%
Citibank (US)	12%	7%
Santander (Spain)	8%	9%

Sources: Salomon Smith Barney; EIR

the leading economics light. From the outset, all of Pinochet's key economic advisors were "Chicago Boys," seconded directly by Friedman.

As the London Economist wrote in its June 3, 1995 issue, "For 25 years Chile has been a laboratory for radical political and economic experiments, a social-scientific guinea pig."

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

The labor component of the policy was particularly brutal. According to the 1996 book "Chile: The Great Transformation," by Javier Martinez and Alvaro Diz, labor policy between 1973 and 1979 was characterized by "savage deregulation." Unions were dissolved, and index-linked wage increases, state contributions to unions, and collective bargaining were all eliminated. One of the key features of the labor reform package introduced in 1979 by Pinochet's Labor Minister, José Piñera—the future architect of social security privatization—was the abolition of the minimum wage.

Trade-union federations were initially allowed only an advisory role, but by 1981 they were abolished altogether. The right to strike was permitted, but only for a maximum of 60 days, after which employers could declare a lockout, shut down the company, fire workers, etc. Workers could be fired without cause. By 1980, the number of unionized workers fell to below 10% of the work force. The average size of unions was reduced by a third.

By 1989, the average worker was worse off than in 1970, and the poverty rate stood at 41.2%. Where in 1970, the poorest 40% of the population consumed 2,019 calories in their daily diet, by 1980 this had fallen to 1,751 calories, and to 1,629 calories by 1990. Between 1972 and 1988, the percentage of Chileans without adequate housing increased from 27% to 40%. There was inordinate growth of slums in the area around Santiago as well as in other major cities, where the poor ate mostly in soup kitchens.

In 1975, the unemployment rate stood at 18.7% of the labor force, and it registered an *average* of 15.7% over the following ten years. At one point in 1983, unemployment was 34.6%.

Today, 77% of the labor force has not finished high school. Some 72% are considered unskilled or semi-skilled. According to an ILO study, only 30% of all jobs can be classified as "decent" in Chile—decent being defined as a job in which there is a labor contract, and in which a fair wage is paid, allowing for the worker's dignity.

And under these inhuman conditions, 83% of all Chilean workers work an average of 11 hours per day—the legal limit is 10 hours per day—according to the official Labor Directorate.

In short, in the three decades since British free-market policies were imposed on Chile, most aspects of Chile's *physical economy*—which should not be confused with misleading monetary parameters such as Gross National Product (GNP)—fell in per-capita and per-household terms. Yet during this period, the speculative bubble of foreign debt grew many times over, while interest on that debt was religiously paid to the creditor banks and the International Monetary Fund.

These policies plunged the country into national bankruptcy in late 1982, but then were continued in a somewhat modified form from 1983 until the present. By imposing a new package of drastic, forced savings—including the groundbreaking privatization of the national pension fund—the bankers managed to keep looting the economy in order to pay the foreign debt.

For the international financial elite, Chile is thus an experiment in showing how a country can be looted to the point of breakdown, and then looted again. As the London Economist was quick to reassure its readers, "The 1982 crash did not, however, provoke any fundamental shift away from the basic aims of trade liberalization and a shrinking state sector." Instead, Chile slightly retreaded the same neo-liberal policies, got monetary inflation under control, and established a new, more "stable" basis for continued debt looting. As the June 6, 1995 Washington Post explained the matter, what Chile shows is that the "fallen can rise again . . . after the country's spectacular economic collapse in 1982."

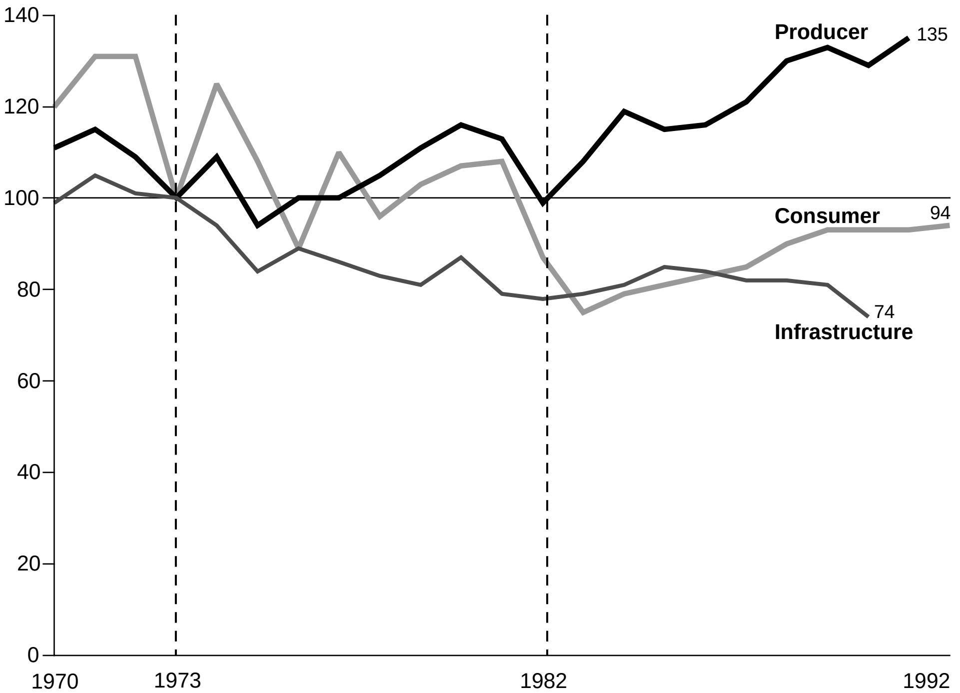
The Myth Dispelled

Look at the performance of Chile's physical economy from 1970 to the early 1990s, as measured in per-capita, per household, and per-square-kilometer *physical units* (tons, megawatt-hours, and so forth). Then look at Chile's physical-economic trends in juxtaposition to the growth of the country's foreign debt bubble over the past decades.

FIGURE 2

Chile: Physical Economic Production

(index 1973 = 100)



Source: ECLA; Central Bank of Chile; *EIR* .

Figure 2 looks at the production of market baskets of basic consumer, producer, and infrastructure goods in Chile, as measured principally in per-capita terms in EIR's 1995 study. The first curve to look at is the production of consumer goods. Note that this is *not* an index of consumption—that would have to take imports and exports into consideration as well—but of the Chilean economy's ability to produce its own consumer goods. Although the items included in the index (grain, meat, milk, pulses, fruits; and vegetables, autos, and television sets) are by no means comprehensive, they are nonetheless sufficient to indicate the trend and the magnitude of changes involved overall.

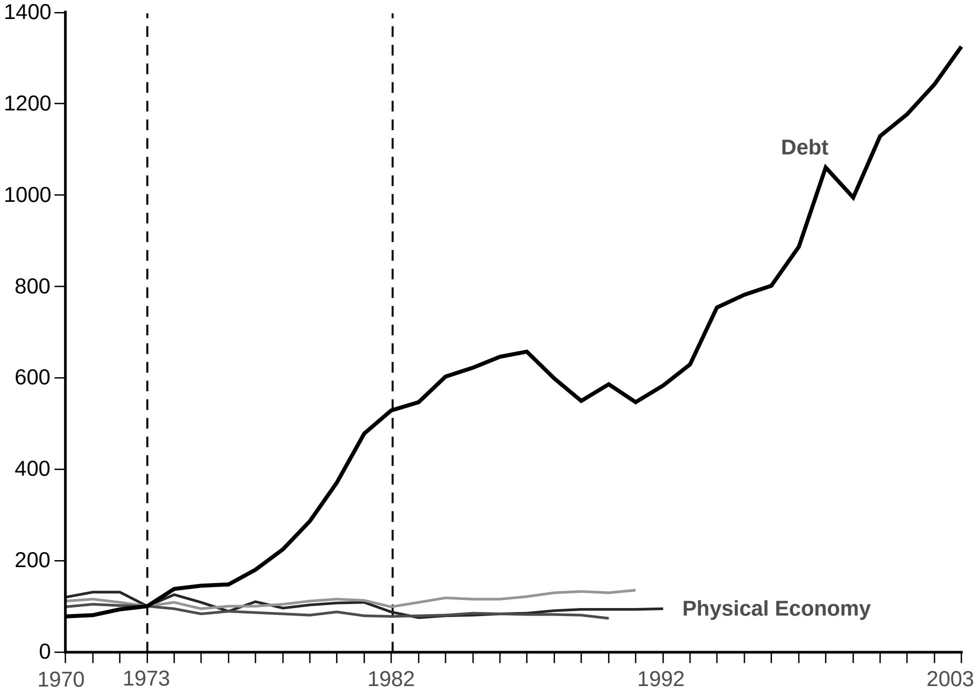
As Fig. 2 shows, Chile's production of consumer goods was already skidding downhill under Allende from 1970-73, and then it plummeted another 13% (from an index of 100 to 87) in the first nine years of the reign of the "Chicago Boys." Although there has been a marginal recovery since 1982, the level in 1992 was still 6% below what it was in 1973. In other words, after two decades of free-trade dogma, Chile's physical economy was even *less* capable today of producing its own population's consumption needs, than it was when the "Chicago Boys" took over. Within this category, the production of food items performed relatively better than that of manufactured consumer goods.

Figure 2 also shows an index of per-household production of a market basket of nine producer goods, which fared only marginally better than the consumer goods. After a decade of stagnation, the index rose to a level of merely 135 in 1991. If we look back over the period since 1973, this averages out to a growth rate of less than 1.7% per year. Although this is certainly better than a decline, such a growth rate is pathetic when compared to actually successful cases of economic development, such as South Korea or Japan, which often displayed real growth rates of upwards of 10% per year in such categories.

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

Figure 2 also shows the behavior of an index of production of infrastructural goods. This includes both "hard infrastructure" items, such as freight shipments by rail-

FIGURE 3
Chile: Debt vs. Physical Economy
(index 1973 = 100)



Source: ECLA; Central Bank of Chile; World Bank; *EIR* .

road and installed electrical capacity per household, and "soft infrastructure" indicators, including the number of hospital beds and school enrollment figures per capita. It is here that we see the most far-reaching impact of Chile's Conservative Revolution-style cutbacks in government spending, since infrastructure tends to depend more heavily on the direct role of the state than does the producer or consumer goods category. As the graph shows, infrastructure was devastated in the first decade of "Chicago Boys" wrecking, and it continued to decay in the second decade. Over that 20-year period, Chile lost more than a quarter of its infrastructure capability.

This is a physical-economic catastrophe. Infrastructure development plays a crucial role in a viable economy, by improving overall labor productivity. A 26% collapse of infrastructure thus implies dramatically decreased efficiency and rising social costs of production in all areas of the economy.

Compare this to the geometric growth of Chile's cancerous foreign debt, from 1973 to the present (see **Fig. 3**). While the country's physical economy was decaying, a gigantic speculative foreign debt bubble was built up by the "Chicago Boys" and their international sponsors. From a mere $3 billion in 1973, it edged upwards for a few years, and then in 1977, took off like a rocket. Within three years it had more than doubled, from $6 to $12 billion, and by 1982 it had gone past the $17 billion mark. Today it stands at $43 billion. As Fig. 3 shows, there has been an increase of more than tenfold in Chile's foreign debt over the last three decades.

As **Fig. 4** shows, in 1980 the foreign debt was $12 billion, and over the next 23 years a total of $42 billion was paid by Chile as cumulative interest payments on that debt. Yet, despite the fact that three and one-half times the amount initially owed was paid in interest alone over that period, by 2003 the foreign debt had *risen* from $12 billion to $43 billion. In other words, 12–42 = 43, it would appear. That is what can be called "bankers' arithmetic." Such systematic servicing of its foreign debt at the expense of the physical economy, placed Chile at the head of the pack of Ibero-American nations in its per-capita interest payments (see **Fig. 5**), with a cumulative total *per capita* of $1,615 paid between 1981 and 1993. Only oil-rich Venezuela paid more than that, on a per-capita basis.

Chile was able to do this because, especially from 1982 onwards, the entire economy was gutted to drastically curtail domestic consumption, and instead channel an ever-larger share of national production into exports, in order to earn dollars with which to pay the debt.

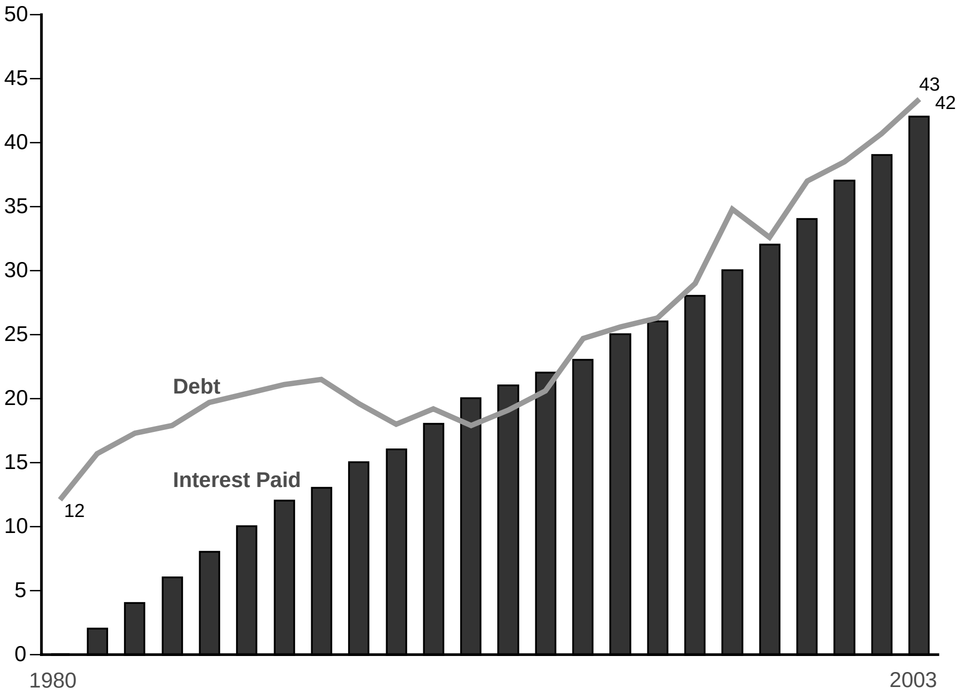
Is that the policy that you want Shultz and Bush to now re-import back into the United States?

3. Political Terror: The Operation Condor Murder Machine

George Shultz is fond of protesting that he is only for the *economic* policy of the Chilean model, and not for its "political excesses." For example, in an October 2000 interview with PBS-TV, he argued that Chile "had the only decent economy in South America in the mid-80s and on," but that the Pinochet dictatorship "no doubt did some unnecessarily brutal things in the process." Social Security privatization czar José Piñera also likes to wring his hands in public about the "human rights violations" of the government he himself served in for years!

But there is a simple fact which both Shultz and Piñera know perfectly well: The political terror, repres-

FIGURE 4
Chile: Bankers' Arithmetic
(Billions $)



Source: World Bank.

sion, kidnappings, murder, and outright genocide of the Pinochet years, were the cf2>sine qua non of the "success" of the Chilean economic model. They were part and parcel of the Nazi-like looting of the Chilean labor force and physical economy.

First, the bloody Pinochet coup of Sept. 11, 1973 was orchestrated by synarchist hitmen George Shultz and Henry Kissinger, from inside the Nixon Administration—as is widely known.

Second, throughout his 1973-90 regime, Pinochet silenced dissent with the jackboot. The aging dictator is currently facing indictment for a number of such cases, including the kidnapping of nine dissidents, and the murder of one of them, during his regime. Since Chilean Judge Juan Guzman found on Dec. 13 that the 89-year-old Pinochet was "mentally competent to face a criminal trial in Chile," the case is expected to proceed, and will probably be joined by further charges related to $8 million (out of a reported net worth of $15 million) that Pinochet placed in secret accounts in Riggs Bank in Washington, D.C.

Pinochet's financial advisor Oscar Aitken has told interviewers that Riggs president Joseph Albritton personally managed Pinochet's accounts in that bank, and that he was "Pinochet's biggest admirer in the banking world." According to Aitken, Albritton "promised, and delivered, rates of return that doubled Gen. Pinochet's capital every three years."

The Chilean Congress is also probing the business activities of 38 Pinochet relatives, in connection with money-laundering and tax evasion. It is revealing that Pinochet's son-in-law, Julio Cesar Ponce Lerou, became president of the government agency that supervised the privatization of all state-owned companies during the dictatorship.

Operations Condor and Gladio

But the top-down, international synarchist control of the terror apparatus associated with the Pinochet dictatorship, is best seen in the Operation Condor apparatus, under which Chilean military and intelligence forces worked with their counterparts from five other South American countries—Argentina, Bolivia, Brazil, Paraguay, and Uruguay—from the mid-1970s into the early 1980s.

Lyndon LaRouche described it in the following terms, in a mid-December 2004 discussion with Australian youth:

"The Pinochet Administration and the coup that brought Pinochet to power in 1973, was part of what was called Operation Condor. Operation Condor was really a Gestapo SS-type of murder operation, using people as a core who had been exiled from Nazi Germany via Spain, into the Americas. They were part of what was called the 'ratline' of Nazis, wanted Nazis who had successfully found niches for their existence, in Bolivia (such as the case of Della Chiaie, from Italy, who was a Nazi), in Chile, and in Argentina.

"From the early 1970s, there were thousands of deaths, of disappeared people, under a torture and murder operation, run by these Nazis, called Operation Condor.

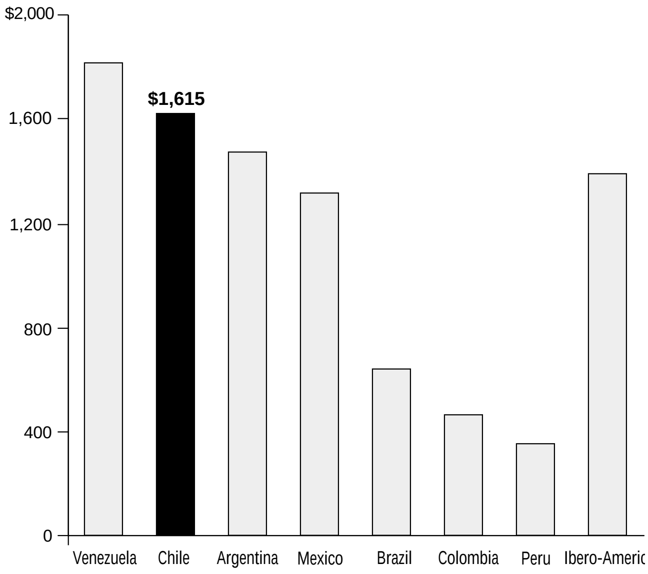
"In Operation Condor, then-dictator of Chile Pinochet was a key figure. Also a key figure was, of course, Henry Kissinger, who was then Secretary of State; and also, more significant than Kissinger, was George Shultz, who is the key figure of what was called the 'Chicago Boys,' who set up the whole package, including the Pinochet dictatorship and the Pinochet launching of the social security system in Chile."

Like NATO's Operation Gladio in Europe, with its "stay behind" units, Condor included former SS and

FIGURE 5

Cumulative Interest Payments, 1981-93

(Dollars per Capita)



Source: World Bank.

Nazi war criminals, who escaped Europe after World War II through the so-called "ratlines," plus second-generation fascists. For example, one of Operation Condor's reported activities was its support for the 1980 "cocaine coup" orchestrated in Bolivia by Nazi emigré Klaus Barbie.

The leadership of Operation Condor came out of the synarchist factions of the region's Armed Forces, which coordinated with the neo-fascist networks behind Europe's Operation Gladio and the "strategy of tension" it spawned, especially in Italy. These Operation Condor synarchists killed, tortured, and "disappeared" thousands of Ibero-Americans, so that Shultz and his Chicago Boys could implement their policies not only in Chile, but also in other countries of the region, such as Argentina. In that country, a military coup in 1976 put the British-trained oligarch José Martinez de Hoz in charge of the country's economy, as Finance Minister. His policies closely resembled those of Chile's Chicago Boys.

Shultz, Kissinger et al. oversaw the South American-wide project from the top. On the ground, the terrorism unleashed by left-wing synarchists fuelled Operation Condor's military barbarism, ultimately engulfing the region in a "dirty war" which caught thousands of innocents in the crossfire. Exemplary of this is the way in which Argentina's secretive Tacuara Group, a synarchist-run organization of the 1950s, split in the 1960s into the left-terrorist Montoneros, on the one side, and the right-terrorist Tacuara, on the other. These two groups then helped instigate the dirty war of the 1970s, in which left and right massacred each other, and the shattered nation of Argentina was left helpless in the grip of the evil Martinez de Hoz policies.

A declassified FBI memo from 1976 gives a frightening, first-hand report of how the Operation Condor assassination squads worked. Written by FBI "attaché" Robert Scherer, who was posted in Buenos Aires, the Sept. 28, 1976 memo reports that Operation Condor was set up to monitor and carry out joint operations "against terrorist targets in member countries."

Scherer describes the international scope of Operation Condor, when he reports on its "phase three." This involved "the formation of special teams from member countries who are to travel anywhere in the world to non-member countries to carry out sanctions—up to assassination—against terrorists or supporters of terrorist organizations from Operation Condor member countries." Were a "terrorist supporter" from an Operation Condor member country to be located in Europe, a special team would be sent to the named country to "locate and surveil" the target; a second team would then be deployed to carry out "the actual sanction" against the target. France and Portugal were identified as the European countries mentioned "for possible operations under the third phase of Operation Condor."

The likelihood that the 1976 assassination in Washington, D.C. of Chile's former Foreign Minister, Orlando Letelier, was executed by an Operation Condor team, was also discussed in the 1976 FBI memo: "It is not beyond the realm of possibility that the recent assassination of Orlando Letelier in Washington may have been carried out as a third phase action of Operation Condor." U.S. citizen Michael Townley, subsequently convicted of organizing the Letelier assassination, was not only a member of the Chilean secret police DINA, but also reportedly worked with Italian fascists linked to Operation Gladio.

Even more direct coordination between Operations Condor and Gladio is suggested by the facts surrounding the attempted murder of former Chilean Vice President Bernardo Leighton, while visiting Rome in October of 1975. Two Italian neo-fascists, Pier Luigi Concutelli and Salvatore Falabella, allies of the notorious Nazi Stefano delle Chiaie, shot Leighton and his wife as they returned to their apartment. Both survived the attack.

Augusto Pinochet and Gen. Manuel Contreras (head of the DINA secret police) reportedly met with the two Italian hitmen when they attended the funeral of Spanish fascist Francisco Franco in Madrid in 1975. Contreras is said to have maintained an ongoing relationship with Della Chiaie.

These, then, are the Nazi enforcers of Chilean-style privatization of Social Security. Are you willing to have them run the United States as well?

II. THEFT PLANS FOR THE UNITED STATES

Bush's Assault on Social Security: Beware Negotiating With a President Who 'Won't Negotiate With Himself'

by Paul Gallagher

Lyndon LaRouche and his movement have committed themselves to crushing the attempt by the George W. Bush Administration to privatize Social Security. There can be no "negotiating" by Congressmen or organizations, on the terms on which to give up Social Security. All the terms of the privatization argument are deliberate falsehoods. Beat Bush on this, or face fascism in the United States.

Bush's Dec. 20 rant on not giving away anything about his privatization scheme—"I won't negotiate with myself!"—indicates that he needs a psychiatrist; but it also means he's coached not to say a word or admit a single specific of the White House scheme to privatize—to do so would trigger massive and angry resistance to the plan.

White House Photo/Tina Hager

President George W. Bush is in a manic drive to privatize Social Security—having lied about it throughout the campaign.

The President's sudden, manic drive to privatize is driven by Wall Street and Boston 'Vault' bankers who want to take into the stock and bond markets, the $500-billion-a-year flow of American employees' Social Security payments. During George W. Bush's term, the U.S. economy has come to need investment inflows from other countries of *$2.5 billion a day,* to cover its various huge deficits and debts. The massive flow of foreign capital is falling and no longer sufficient, and threatens to stop entirely in a crash of the dollar. So Wall Street is looking to Americans' Social Security payments, to throw them into the sinkhole of debt that is swallowing the economy.

To Drink the Blood of Social Security. . .

The United States Social Security system, which now has 47 million elderly and disabled beneficiaries, and 12 million households depending on it for their livelihood, has accumulated a surplus of $2 trillion and $3 trillion in its Trust Fund, and will keep adding to that surplus for another 15 years. Governments since Ronald Reagan's have improperly borrowed most of that surplus to cover Federal budget deficits. **Figure 1** shows that the Bush Administration, which has borrowed over $500 billion of that surplus in four years, has created, with its tax cuts and its destruction of jobs, a long-term revenue deficit *far larger* than any conceivable Social Security deficit. The White House now covertly proposes to 1) *repudiate* any government obligation to generate future new revenues and repay the Social Security Trust Fund; 2) *throw out* workers under 50 or 55 from their future entitlement to Social Security, by diverting their contributions into Wall Street-run private investment accounts; 3) *borrow* trillions more dollars to pay benefits to current retirees and Baby Boomers; and 4 *make major cuts* in the benefits of those retirees, by the simple trick of changing the cost-of-living calculation. **Figure 2** shows these cuts; it's a Congressional Budget Office analysis of the President's Commission's plan, put in legislative form.

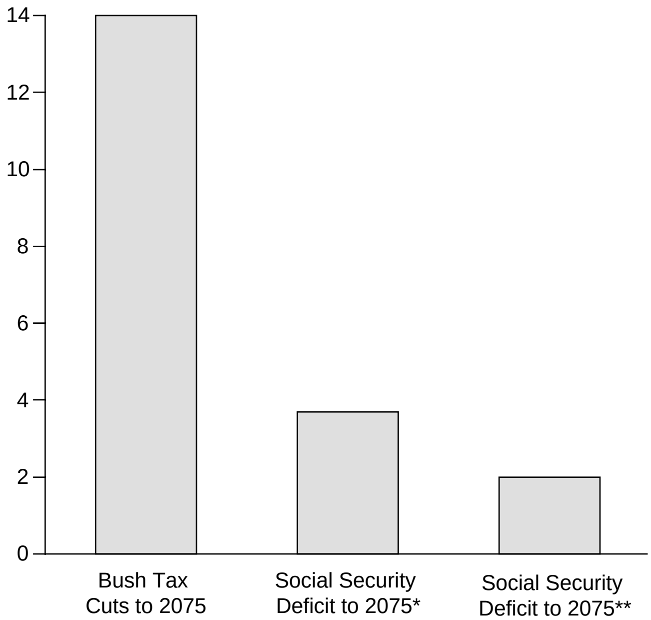
This shifts trillions in loot to the stock and corporate bond markets, from employees who become the suckers "on the way in" to the next market crash.

If Bush is not stopped, and does this to Social Security, imagine the wholesale cutting and stealing of Medicare, Medicaid, private pension insurance, wages. This goes to fascism.

FIGURE 1

Bush Makes Far Bigger Budget Hole With Tax Cuts, Than Any Social Security Deficit, 2001-75

($ Trillions)



*Social Security Trustees 2004 Estimate
**Congressional Budget Office 2004 Estimate

Source: House Budget Committee, Center for Budget and Policy Priorities.

FIGURE 2

Retirement Benefits for Middle 20% of Income Earners, Social Security Law vs. Typical Privatization Plan*

($ Annual Benefits)

Retirees Born In	Under Social Security	Under Privatization	Cut
1940-49	14,900	13,900	6.6%
1950-59	15,200	13,000	15%
1960-60	15,500	13,200	15%
1970-79	17,700	14,200	20%
1980-89	19,700	16,200	18%
1990-99	18,100	14,500	20%
2000-09	19,900	14,600	27%

*Legislation H.R. 3821 of Rep. James Kolbe (R-Ariz.), analyzed and scored by bi-partisan Congressional Budget Office.
Source: Congressional Budget Office, *EIR*.

"Ownership society"? Recall the "people's car" (Volkswagen) hoax of Hitler's Nazi regime. Millions of Germans made their payments into their own "private account" by which they were buying their own Volkswagen. None ever got one; their payments were simply looted.

. . . Dracula Will Spend $41 Million in January Ads

An article in the New York Times for Dec. 20 shows clearly that Wall Street and State Street are acting through ideologues and thinktanks to lie and push for privatization. The most prominent of the ideologues out to destroy Social Security is José Piñera, the very man who, as Labor Minister of Chile, privatized social security for the fascist dictatorship of Gen. Augusto Pinochet in 1980-81. Piñera's memo of that year to George Shultz, who had requested it, started the attempt to sell Social Security privatization to Ronald Reagan, and to every Administration since. Piñera (see below, "Profiles of Hit Men"), and State Street Bank Corp. executive F. Gregory Ahern, have headed up the Cato Institute's Project on Social Security Choice. Piñera and this Cato Institute operation have been the designers and promoters for the past decade, of the Social Security privatization schemes now being held close to George W. Bush's vest. Ahern is also lobbyist for the Investment Company Institute arm of mutual fund industry.

The ideological venom of Piñera against Social Security, is clear from the opening of a manifesto he wrote in 1996, still posted up front on the website of the Cato Institute:

"A specter is haunting the world. It is the specter of bankrupt state-run pension systems. The pay-as-you-go pension system . . . destroys, at the individual level, the essential link between effort and reward. . . . The result is disaster."[1]

This Chilean fascist minister Piñera, who thinks the *success* of Social Security destroys the "effort" of Americans whose retirement it insures, is Bush's chief instigator in attacking Social Security!

The Cato Institute calls its blood-sucking plan "The 6.2% Solution." It diverts the employee's whole 6.2% payroll tax payment out of Social Security into a private account. After a few years' break-in, it makes this *mandatory* for Americans born after 1954.

José Piñera insists, "on principle," that employers—who now match their employees' payments to Social Security—shouldn't pay anything at all. That's the way it is in the "Chilean model" Bush is impressed by.

Other Wall Street groups promoting Social Security privatization are the Club for Growth—directed by Stephen Moore, former aide to former Rep. Dick Armey, and Charles Brunie, head of Oppenheimer Capital; the Alliance for Worker Retirement Security, which includes the Securities Industry Association, U.S. Chamber of Commerce, Charles Schwab and other brokerages; and Ahern's Investment Company Institute.

With Cato Institute, American Enterprise Institute, and bankers' 527 committees, these Draculas intend to spend $41 million in January on a propaganda to steal Social Security.

With this LaRouche PAC pamphlet, Democrat Lyndon LaRouche mobilizes you to stop them.

Footnote:
1. "Empowering Workers: The Privatization of Social Security in Chile," Cato Foundation, Washington, D.C., January 1996.

Pat Robertson on Social Security

by Harley Schlanger

According to transcripts from "The 700 Club" television program, in 1985-86, Pat Robertson launched a series of broadsides against Social Security on "The 700 Club." It was part of his plan for a "supra-denominational, cultural revolution on a worldwide scale," a "special revival," which he said would take aim at "centralization of power in Washington."

Robertson told viewers of "The 700 Club," "We're not going to stand for those coercive utopians in the Supreme Court and in Washington ruling over us anymore. We're not gonna stand for it. We are going to say, we want freedom in this country, and we want power, freedom back to the people where it's supposed to be."

On May 21, 1985, Robertson launched his attack on Social Security, using the same kinds of scare tactics that are now planned for the January 2005 media blitz. "The government is running—they're not telling anybody—they're running very scared. . . . There is going to be an awful crash. There's going to be a repudiation of debt. There's going to be a wipe-out of Social Security. Many people who are figuring on getting Social Security are not going to get any Social Security."

On Aug. 14, 1985, he said that younger Americans will be paying into Social Security, but "according to what's going on right now are not going to get a dime."

In 1986, he launched a campaign to privatize Social Security. He said on "The 700 Club," "For people who are 25 and 30 and 35, it's going to be a tragic problem in about the year 2030 because there's not gonna be enough workers, there . . . will not be enough money to take care of the retirement of today's young adults. . . . And what we need to do is . . . right now—is to phase in some kind of compulsory private system where they can begin to set aside money on their own so that 30, 40 years from now they will have enough."

Robertson's line is that of the "Christian Reconstructionists," for whom Social Security is an evil infringement on free trade and complete deregulation. The Reconstructionists, who are post-millennialists—i.e., they believe evil and evil-doers must be defeated on Earth before Jesus can return (Bush has taken on some of the beliefs of the post-millennialists since 9/11)—argue that central government and policies derived from central government, such as Social Security, are part of the plan by Secular Humanists to defeat Christianity. Elimination of Social Security, they argue, is an essential feature in establishing Biblical rule on Earth.

PINOCHET AND PINOCCHIO

President George 'Enron' Bush Lies About 'Enron II'

by Paul Gallagher

Recognize the lies of Wall Street and Bush about the privatization of Social Security:

Lie No. 1: "President Bush never said 'privatization.' He just wants to strengthen Social Security. His opponents are using scare tactics."

TRUTH: That was for the suckers during the election campaign, who thought George W. Bush was their personal lord and savior. He lied about it scores of times, then came out in the open demanding privatization after Election Day. Each member of his Commission on Social Security had been hand-picked *in 2001* on the condition of being a supporter of privatization of Social Security.

Lie No. 2: "To make sure the retirement savings of America's seniors are not diverted to any other program, my budget protects all of the Social Security surplus for Social Security, and for Social Security alone." Bush's Feb. 27, 2001 address to a Joint Session of Congress.

TRUTH: George W. Bush's budgets, since then, have taken $509 billion of surpluses from the Social Security Trust Fund and used them for general Federal budget expenses, including his wars, so that he could deliver tax cuts to businesses and wealthy Americans.

While other Presidents have also "borrowed" Social Security surplus for their budgets, *Bush and his father are the only two Presidents who have looted every single dollar of Social Security surplus that came into the Trust Fund on their watch*. Senator Harry Reid (D-Nev), speaking on the floor of the Senate, has rightly called this "embezzlement."

Lie No. 3: "I think some members of Congress could take some lessons from Chile, particularly when it comes to how to run our pension plans. Our social security system needs to be modernized." George W. Bush in Chile, April 2001.

TRUTH: Social Security privatization was imposed in Chile by the fascist military dictatorship of Gen. Pinochet, which by 1980 had already destroyed the labor movement, depressed the wages of Chileans, exiled and assassinated opposition leaders, and was selling off state companies to foreign bankers, cheap; then they turned over public pension funds to the same bankers. A generation later, most Chilean retirees, with their "private accounts," don't even qualify for a minimum pension, and have to depend on government minimum retirement of welfare payments. Chile's privatization is judged a failure by the Chilean government and even by the World Bank.

The British privatization of public pension funds has also failed.

Lie No. 4: Social Security is a state program invented in 19th-century Prussia, which blocks employees from "ownership" of their own retirement fund.

TRUTH: Social Security was started by President Franklin Roosevelt because the U.S. Constitution calls upon the government of the United States to "promote the General Welfare"—not to promote "private investments." Social Security saved the elderly from the destitution brought on when the "private investments" of the 1920s collapsed. Under the principle of the General Welfare, the younger generations support the basic security of the older generations in their retirement, keeping them from poverty, and provide a surplus, to the benefit of their children and grandchildren.

Social Security has been successful for 70 years, through three full generations of Americans' retirements, and only small and occasional adjustments in its tax rates and ranges are needed to keep its commitments into the future. It's the only thing solvent in a debt- and deficit-ridden U.S. economy. Three-quarters of the company pension funds in the nation have been abandoned by their corporate sponsors, the rest are underfunded; Social Security remains solvent and trustworthy. It has provided better broad benefits, with cost-of-living adjustments, than private social security schemes like the British system, the "Galveston Plan" in Texas, etc. As for the "Chile model" of the privatizers, it's been a disaster for more than half the workforce in Chile.

Lie No. 5: "The United States government has no legal obligation to pay Social Security benefits to retirees."

TRUTH: The management of the funds and payment of the benefits by the Federal government, is an obligation of the United States created by the Social Security Act of 1935. The right-wing privatization ideologues at the Cato Institute and elsewhere make this claim because they want Treasury to keep "borrowing" from the Trust Fund without repaying, and to destroy Social Security for ideological reasons. Any similar claim from within the Bush Administration would constitute a *threat* to cut off benefits.

Lie No. 6: "Social Security is in crisis. The crisis is here. There is an $11-trillion deficit.

TRUTH: Wall Street is in crisis; the U.S. dollar is in crisis; the U.S. and world economy is in a collapse crisis worsened by Bush Administration policies; but President Franklin Roosevelt's Social Security system is not in crisis. No competent agency has projected any $11-trillion deficit, nor half that.

But Bush's business and upper-income tax cuts are generating a *$14-trillion long-term deficit in the general Federal government budget*. Bush wants to add anywhere from $2-6 trillion to U.S. debt to pay for privatizing Social Security—turning the contributions over to Wall Street in "private accounts," then going to Wall Street to borrow the money to pay retiree benefits.

If the Bush Administration stopped running huge deficits and repaid to Social Security the money improperly borrowed from the Trust Fund for other government expenses over the years, Social Security would be in surplus for at least another 40 years—*without changing the payroll tax rate or range at all.* If a U.S. President, instead of losing jobs and depressing wages, knows how to restart real high-technology employment growth in the U.S. economy, Social Security will be fully solvent through the 21st century.

Lie No. 7: "If Social Security isn't privatized now, taxes will have to be raised or trillions borrowed in the next decade, or benefits cut."

TRUTH: This is another form of blackmail threat, by a bankrupt Bush Administration and a desperate Wall Street, to cut off Social Security benefits unless they get trillions in Social Security contributions to support the Wall Street bubble a while longer. In fact, real economic growth, with small adjustments in the Social Security tax range alone, will keep the system solvent indefinitely.

Lie No. 8: "Wall Street doesn't have much at stake in Social Security privatization; its fees would only be a few tens of billions over 70 years."

TRUTH: Wall Street and Boston "Vault" banks like JP Morgan Chase and State Street Bank are the original and the biggest funders of the Cato Institute Social Security Privatization Project, the cog-wheel since 1995 for the schemes to loot Social Security. These banks would haul in, conservatively, $950 billion in fees over 70 years, according to the thorough study by Prof. Austen Goolsby of the University of Missouri. More important, Wall Street would rake trillions in new accounts into the falling stock markets.

Lie No. 9: "Younger workers will be able voluntarily to choose to put just a part of their Social Security tax contributions into a private investment account instead."

TRUTH: The Chile model of privatization was mandatory for all young workers. They were barred from entering the old public pension system.

General Pinochet's Labor Minister, who privatized Social Security in Chile, now heads up the Cato Institute Privatization Project, which instigated President Bush's manic drive for privatization. The Cato Institute private-accounts scheme becomes *mandatory* after a few years, for all employees born after 1954; and it calls for diverting *all, not a part* of the employee's Social Security payroll taxes into a private account.

This will happen if Bush gets his way. There will be tremendous economic pressure, as well as political pressure to reduce future benefits by kicking workers out of the Social Security system into the arms of Wall Street investment banks. Why? The trillions in new debt which Bush proposes to borrow to privatize the system, *will create the crisis in Social Security he's claiming.*

Lie No. 10: "Nothing will change for those at or near retirement; their benefit check won't be touched."

TRUTH: If privatization goes through, benefits will be reduced by $18 trillion. For retirees who have been in the middle 20% of Americans by income, Social Security benefits *would be reduced*, in the privatization scheme of Bush's hand-picked Commission, by 6% over the next decade; 10% in the decade after that; 15% in the decade after that. The non-partisan Congressional Budget Office (CBO) showed this; and Stephen Goss of the President's Commission admitted it on Dec. 9: "It [Bush's privatization plan] clearly would provide for slower growth in benefits than under current law. The private accounts will provide an opportunity for the worker to make that back up." Goss estimated benefits would be cut by $18 trillion through mid-century. President Bush *knew this three years ago when the Commission made its recommendations.*

In fact, despite these ideologues' fantastic, lying assumptions about the earnings young workers will allegedly be making in the stock and bond markets, the sad reality is that Americans' remaining Social Security benefits will be cut by much more than the CBO has estimated, if Bush's fascist privatization goes through. After being blown up into a brief new bubble by trillions stolen from Social Security, Wall Street will collapse and leave retirees with nothing. "Enron I" left hundreds of thousands with empty 401ks and lost corporate pensions; Bush's "Enron II" will steal the retirement of *tens of millions.*

Lie No. 11: "Younger workers will get a private account the government can never take away from them."

TRUTH: The Bush Administration has already illegally "taken away" more than $500 billion from the Social Security Trust Fund to pay other government expenses; yet Social Security has never taken retirees' accounts away from them. If Americans fall for diverting Social Security payroll taxes into stocks and bonds accounts instead, a Wall Street crash will "take away" the retirement they are foolish enough to put there.

Lie No. 12: "Equity [stock] investments earn high rates of return over the long term. By the principle of compound interest, these younger workers will be able to earn a better return on funds for their retirement."

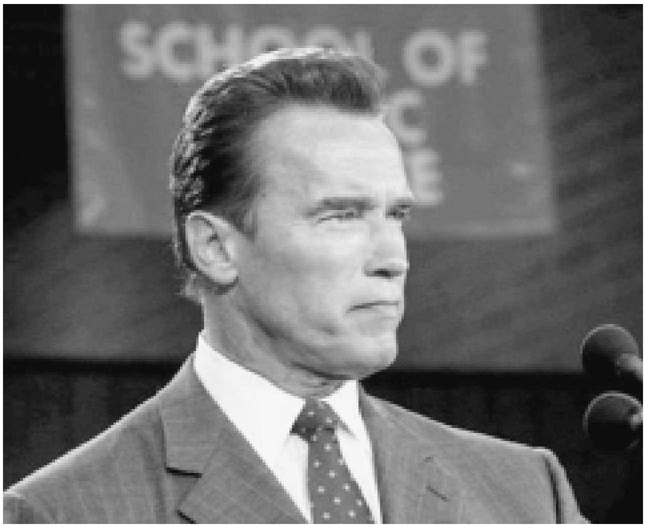
TRUTH: If American workers' Social Security payroll taxes had been invested, instead, in the Standard and Poor's 500-stock index for the last five years, *they would have lost money, overall, in their "private accounts,"*—according to Standard and Poor's itself.

This repeats the Enron syndrome with Americans' 401k private retirement accounts; in surveys one-third of Americans with 401ks say they've lost so much in them that they'll have to keep working long past retirement. Social Security will really be "in a crisis" if President Bush is allowed to shift it to Wall Street.

The idiot President, whose own business ventures all failed, believes he's just discovered the "miracle of compound interest." The Social Security Trust Fund already earns compound interest on the investment of its surplus in Treasury bonds—and every year, Bush's White House has looted the fund of its surplus and its interest, to pay for war, "homeland security," and tax cuts for businesses and wealthy Americans.

Arnie Rolls Out the Coming Fascist Economics in California

by Harley Schlanger and Paul Gallagher



Governor's website

California Governator Arnold Schwarzenegger, harbinger of fascist austerity.

Look to Governator Arnold Schwarzenegger's California for a sign of the coming, fascist austerity against Social Security, Medicare, and Medicaid, if George W. Bush's "foot-in-the-door for fascism" is not stopped.

Muscle-actor Schwarzenegger's softness for gay marriage and other "cultural leftism" does not hide his fascist economic policies. He is the new political protégé of the same George Shultz of Bechtel who promoted the "Chile model" in the Reagan Administration, and put together George W. Bush's White House team, known as "the Vulcans." Arnie's family and personal background involves admitted admiration for Adolf Hitler as a "charismatic dictator." He's being "pumped" for an attempt to change the U.S. Constitution and go for the Presidency.

New Debt Crushing the State

And on being elected Governor, Schwarzenegger used the same debt-balloon method on California's budget crisis (created by electricity deregulation) that Bush wants to use on Social Security: He borrowed huge amounts of money while repealing taxes on the wealthy. Arnie flexed his thuggish celebrity in rabble-rousing rallies and threats of referenda, to coerce the Democratic legislature to go along. His government immediately borrowed $15 billion—a huge state sum even for California—on Wall Street at high interest rates.

It didn't take long for the wheels to fall off Arnie's souped-up fascist Hummer. Budget reports released Dec. 20 show the state is overwhelmed by debt service and careening toward bankruptcy. Arnie is now preparing massive program cuts.

California's nonpartisan legislative financial office reported that in Schwarzenegger's one year as Governor, the state's total debt has ballooned from $33 billion to $51 billion; debt payments have shot up from 3.4% of the budget, to a ruinous 6.4%, and are projected to continue rising fast. In the last few months, the estimated budget deficit for next fiscal year has jumped from $6.7 billion to at least $8.1 billion.

Murderous Cuts Coming

Who is going to pay?

On Dec. 17, Schwarzenegger's Director of Finance Tom Campbell said health care and human services will be cut the most, to "close" this deficit. Those cuts will hit the poor, elderly, and disabled the hardest. The axe will also fall on school construction, road, water projects, and other economic infrastructure. Arnie will slash Medi-Cal, which provides health care to approximately 6.5 million low-income Californians. This will exacerbate an already dangerous shortage of hospitals, especially emergency rooms and trauma care; cuts imposed so far have already created a health-care crisis in Los Angeles County. Over $4 billion in state gas tax funds earmarked for transportation projects has been diverted to close the budget deficit.

As for education, the number of students enrolled in the state university system has declined, while tuition has been increasing at a rate of more than 6% per year. Those unable to afford the prestigious state schools have seen massive cuts in community colleges, and a drying-up of financial aid. It appears that Schwarzenegger will renege on an agreement he made with teachers, who accepted a $2-billion cut this year, in return for a pledge for more funds next year.

The Enron-led looting of California by electricity deregulation, which drained more than $70 billion from the state, was just Phase I.

Schwarzenegger's callous disregard for those his policies are harming was on display earlier this month, when he taunted protesting nurses at his Governor's Conference on Women and Families. "Pay no attention to the voices over there," Arnie growled. "They are the special interests. . . . The special interests don't like me in Sacramento because I am always kicking their butts."

The conference Schwarzenegger was speaking at was funded by British Petroleum, Allstate, Citigroup and Bank of America. But nurses—not large banks and insurance companies—are the hated "special interests" to a fascist like Arnie.

So it will be with employees protesting their Wall Street retirement account losses, if Bush's "Chile model" Social Security privatization is not stopped.

More Than Social Security Theft Binds Bush and Pinochet

by Carl Osgood

The Bush and Pinochet regimes have more in common than the looting of Social Security. Just as Pinochet required eight years of brutal repression at home, and assassinations of political opponents, before he could steal the workers' pension funds, the Bush Administration could not have dared launch their current drive to implement the "Pinochet Model" without similar draconian efforts in advance. In the case of the Bush-Cheney Administration, the equivalent of the Pinochet coup was the 9/11 attack, which provided them with the "Reichstag fire" precedent to go for brutal repression at home, under the so-called Patriot Act, and an aggressive campaign of global assassinations, directed against "terrorists." In the case of Pinochet's Chile, the global assassination program went under the code name Operation Condor. Today, the Bush Administration is launching a similar program, under Defense Secretary Donald Rumsfeld's much-heralded "military reform" schema.

The resemblance is hardly coincidental. One of the Pinochet junta's first actions upon taking power after the September 1973 coup, was to impose extraordinary police-state powers, which it continued to renew every six months for several years afterwards. It claimed this was made necessary by the internal security situation in the country. As late as July 1977, according to a memo written by the CIA's deputy director of operations, Pinochet and Gen. Manuel Contreras, the chief of the Directorate of National Security (DINA), "have believed. . . that a serious internal threat has existed in Chile and that the methods used by DINA to eliminate that threat have been entirely justified." Those methods included torture, forced disappearances, illegal detentions, and murder, and were often targetted against leftist political opposition.

Similarly, after 9/11, the U.S. Department of Justice rounded up thousands of men, of Arab and South Asian origin, on the pretext of suspicions of terrorist activities, and held them in secret, sometimes for weeks or months, without pressing charges or even announcing their names or whereabouts. Attorney General John Ashcroft issued new guidelines allowing surveillance of political and religious organizations and individuals without evidence of wrongdoing. Then he turned around and demanded from Congress, codification of these and other police-state measures, which were passed in the form of the misnamed USA Patriot Act. Among other things, the Patriot Act expands the ability of law enforcement to conduct secret searches, gives wide authority for phone and Internet surveillance, and gives access to normally private records with minimal judicial oversight.

The passage of the intelligence reform bill in December 2004 furthered this process with the inclusion of a number of so-called "Patriot II" provisions. It further breaks down the wall that has historically separated domestic and foreign intelligence operations by combining them under one roof, and it adds a provision to the Foreign Intelligence Surveillance Act of 1978, the so-called "lone wolf" provision, which makes any non-American person suspected of engaging in terrorist activity, regardless of whether any connection exists to a foreign government or terrorist organization, subject to a FISA surveillance warrant. While the law specifies that "non-American persons" only can be targetted, the 1980s frameup, prosecution, and imprisonment of Lyndon LaRouche proves that FISA can be abused to target Americans, as well.

Likewise, Pinochet's DINA combined police and military intelligence functions under one head, Contreras, who reported directly to Pinochet. Contreras was one of the founders of Operation Condor, a cooperative arrangement also involving Argentina, Bolivia, Uruguay, Brazil, and Paraguay. An Aug. 11, 1976 CIA staff memo noted that security officials of Chile, Argentina, and Uruguay were "reportedly expanding their cooperative anti-subversive activities to include assassination of top-level terrorists in exile in Europe." It further noted that Operation Condor had already included the development of a centralized data collection capability and the direction of joint operations in the southern part of South America. At least as far as Chile was concerned, "terrorists" were, by definition, opponents of the Pinochet regime, such as Orlando Letelier, who had served as Chilean Ambassador to Washington and then as Foreign Minister in the government of Salvador Allende, overthrown by Pinochet in the September 1973 coup.

Eventually, Contreras, along with others, was implicated and convicted in the 1976 murder of Letelier.


USAF/Master Sgt. James M. Bowman

Defense Secretary Donald Rumsfeld is running hunter-killer teams modelled on the Operation Condor of the Pinochet era.

Pinochet was never charged, even though it is extremely unlikely that the Letelier assassination could have been carried out without his knowledge, if not his authorization.

For the Bush Administration, 9/11 was its equivalent of a coup. It could not have imposed the police-state measures embodied in the USA Patriot Act, nor launched the war in Iraq, without it. Its version of Operation Condor is being assembled, in the Pentagon, by Undersecretary of Defense Stephen Cambone, and his military deputy, Lt. Gen. William G. "Gerry" Boykin. As reported by the New York Times on Dec. 19, Cambone and Boykin are assembling a proposal by which the Defense Department would take over covert operations and human intelligence, areas traditionally the domain of the civilian CIA. "Right now, we're looking at providing Special Operations forces some of the flexibility the CIA has had for years," one Defense official told the Times.

Although not mentioned in the Times account, it is likely that one of the models for this new capability is the hunter-killer teams that Secretary of Defense Donald Rumsfeld has deployed into Iraq and Afghanistan, variously known as Grey Fox, Task Force 121, and other names. These teams, made up of CIA and Army personnel, have had the job of hunting down and assassinating alleged terrorists.

Only after eight years of police-state repression, after all potential political opposition was crushed, including the labor movement, did the Pinochet regime move forward with its theft of the public pension system. The Bush Administration, after having imposed nearly identical police-state measures, is now also moving forward to implement its theft of Social Security on behalf of the synarchist bankers. Unlike Chile, however, the political opposition to Bush's scheme is very much alive and well, and led by Lyndon LaRouche.

III. DOSSIERS OF 'ECONOMIC HIT MEN'

John Train: Portrait of an 'Economic Hit Man'

by Jeffrey Steinberg

José Piñera, the former Minister of Labor and Mining in the fascist regime of Chilean dictator Gen. Augusto Pinochet, and the architect of that country's wholesale theft of workers' pensions, has friends in high places in the Anglo-American Establishment, despite his role in a regime vilified worldwide for war crimes.

On the website of his International Center of Pension Reform (www.josepinera.com), Piñera described a Sept. 11, 2002 visit to New York City, hosted by his dear friend, Wall Street banker and high-level Anglo-American spook John Train.

"At the Pulitzer House: Today I joined New Yorkers at a moving commemoration of the terrible attack of 9/11, at Central Park, with Meryl Streep reciting Copland's 'Lincoln' and a great orchestra. Thanks to the generous hospitality of my friend John Train, writer, investor and renaissance man, I stayed for three weeks at the guest apartment of his house in 73rd Street and Fifth Avenue. Not only a beautiful house, not only near the wonderful Central Park, but also sound-proof, a blessing especially in New York. . . . Many interesting meetings and conferences, the main one being one to the Fellows of the Foreign Policy Association. The Manhattan Institute graciously gave me an office and full support."

Fascist Piñera is not only a close friend of John Train. Piñera and Train are partners in a network of vulture funds, which have profited handsomely from the looting of Chile's privatized social security system. Train is listed as a director of Genesis Emerging Markets Fund Ltd., Genesis Emerging Markets Investment Company, and Genesis Chile Fund Ltd. Piñera is listed as a consultant to the board of Genesis Chile Fund Ltd., and was a director of Genesis Condor Fund Ltd., until Dec. 2, 2004.

As of 2002, Genesis Chile Fund was the largest foreign investment fund in Chile, holding a stake in one of the largest of the privatized Chilean pension funds, AFP Provida. In a Dec. 10, 2004 news release, circulated by the Chilean stock exchange, Genesis Chile announced that is was exploring ways to draw in investment capital from the very private pension funds it holds a stake in.

Genesis Chile has done spectacularly well at looting the Chilean people. For the fiscal year ending Sept. 30, 2004, the fund posted a whopping 35.8% increase in net asset value; and, over the past decade, a tenfold increase. Over the same period, Chilean pensioners have been robbed blind and left penniless.

The Train Dossier

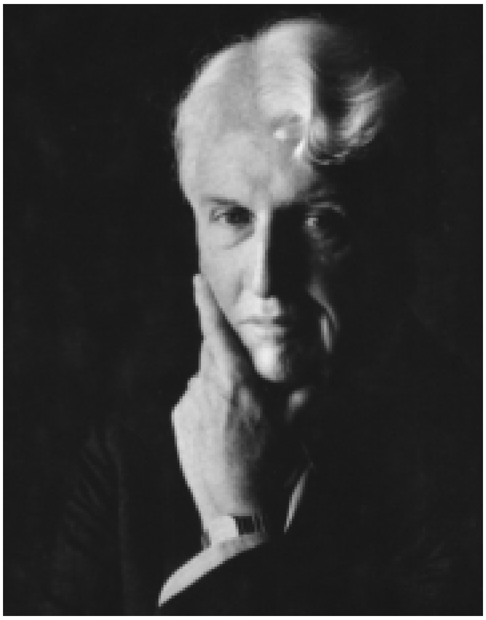
John Train has been variously described by admirers as "the last of the OSS spooks on Wall Street," and as a "noblesse oblige banker who has thrown his money behind the social democracy." Bestselling author John Perkins would more accurately describe John Train as one of the world's leading "economic hit men."

Indeed, Train's pawprints are to be found on some of the worst criminal enterprises of the postwar decades, including the 1980s Reagan-Bush "secret parallel government" fiasco, the criminal campaign to assassinate or imprison Lyndon LaRouche, and the cultural warfare scheme known as the Congress for Cultural Freedom. Some of Train's oldest and closest associates, like the late Sir James Goldsmith, have been implicated in secret assassination programs in Africa, East-West underground arms smuggling, and the assassination in 1986 of Swedish Prime Minister Olof Palme. Train's own links to the circles of the "European Arms Cartel," who were behind the Palme assassination, are direct.

Although based in New York City, John Train is, in fact, a proud member of the Anglophile oligarchy, denounced by the late President Franklin Roosevelt as "the American Tories." Indeed, while a Harvard undergraduate, Train participated in the disruption of celebrations of the ride of Paul Revere, seizing the platform in a British Redcoat uniform, complete with powdered wig.

Appropriately, Train's family fortune came, in large measure, from the 19th-century profits of Enoch Train and Company, a clipper-ship firm that served as a junior partner of the British East India Company in the Far East opium trade. Train's grandfather on his mother's side was a founding partner of JP Morgan.

Born in 1928, John Train was educated at Groton, Harvard, and The Sorbonne. In 1951, Train founded the Paris Review, a project of the Anglo-American intelligence community's postwar cultural-warfare front, the Congress for Cultural Freedom. The publisher of Paris Review was Train's Harvard roommate, Sadruddin Aga Khan. The magazine promoted such dregs of Fabian cultural perversion as the poet and British intelligence operative W.H. Auden; British literati spook Stephen Spender; British counterculturalist Aldous Huxley; propagandist-for-Weimar Christopher Isherwood; and Archibald MacLeish.



Wall Street banker and 'economic hit man' John Train, in a photo taken for the cover of his book, 'The Craft of Investing.'

It was during this Paris period that Train first established his intimate ties to Sir Jimmy Goldsmith and his brother Edward. Up until his death several years ago, Sir Jimmy maintained weekly contact with Train, who reportedly handled part of the vast Goldsmith estate.

By 1956, Train returned to the United States, working for two years for Wall Street speculator Imre de Vegh, before launching Smith Train Counsel, his private investment fund.

Indicative of Train's strong ties to the inner circle of the European financial oligarchy, in 1984, Smith Train Counsel was partly bought up by the London-based English Associate Trust, which was, in turn, a wholly owned subsidiary of the Swedish banking giant, PK Banken, a joint venture of the Swedish government and the notorious Erik Penser. A major shareholder in the Swedish component of the "European Arms Cartel," Bofors/Nobel Industries, Penser was deeply implicated in dirty East-West arms deals, at the heart of the Palme assassination. As part of the deal, Train was placed on the board of PK Banken.

1980s Murder, Inc.

On Wall Street, John Train is known for his private *fondi* investments on behalf of leading European and Anglo-American oligarchs. In addition to the Goldsmiths, Train is the purported fund manager for Maurice "Hank" Greenberg, the boss of American International Group (AIG), the mega-insurance company that was behind the Reagan-era overthrow of Ferdinand Marcos in the Philippines.

Train is also known for a series of books, touting the get-rich-quick methods of such speculators as George Shultz ally and Arnold Schwarzenegger-booster Warren Buffett, hedge-fund pirate John Train, and Magellan Fund guru Peter Lynch.

But the real John Train, true to his "spook" description, is one of the leading players in some of the filthiest, drug-infested, covert operations of the recent decades.

In January 1983, as part of the Reagan-era launching of "Project Democracy," National Security Council official and former CIA officer Walter Raymond penned National Security Decision Directive 77, which was signed by President Ronald Reagan, thus creating one of the key secret components of what came to be known as the Iran-Contra "secret parallel government." The NSDD-77-spawned "private donors executive committee" was to bring together a group of Anglophile financial fat cats, and some of the leading Cold War fanatics, who would bankroll and run a global covert operations program in Central America, Africa, and Central Asia, that would foment chaos and mass genocide on the ground, and funnel billions of dollars in illegal drugs onto the streets of America.

The "private donors" team would include longtime Train allies, including Freedom House founder Leo Cherne, second-generation neo-con spook Roy Godson, and British financiers Rupert Murdoch and Sir Jimmy Goldsmith.

Train would play a pivotal role in two of the nastiest of the Project Democracy illegal efforts. He was anointed as chairman of the Afghan Relief Committee, a propaganda front and money pass-through for the Afghani mujahideen, recruited to fight the Soviet Red Army inside Afghanistan. Train's ARC would align with the most notorious of the Afghan warlords, G. Hekmatyar, who was a major player in the "Golden Crescent" opium connection that would flood the U.S. and European markets with heroin throughout the 1980s.

Get LaRouche

But Train's filthiest deed on behalf of the Anglo-American oligarchy was his mid-1980s role in the attempted political frameup and assassination of Lyndon LaRouche. On behalf of the Walter Raymond team at the NSC, Train was tasked to run an illegal black-propaganda campaign, through the U.S. media, to set the stage for a massive government raid on offices of companies associated with Democratic Party Presidential contender Lyndon LaRouche, as well as the residence where LaRouche was staying.

LaRouche was targetted by George Shultz and Henry Kissinger beginning in the 1970s, for his efforts to bring about a new, just world economic order, replacing their bankrupt post-Bretton Woods system.

But the "Get LaRouche" frenzy peaked when, on March 23, 1983, President Reagan, in a nationwide TV address, embraced LaRouche's plan for a Strategic Defense Initiative, in collaboration with the Soviet Union and America's traditional allies, thereby breaking the Cold War stalemate.

It was one month to the day after Reagan's SDI speech, that Train convened at his Manhattan home a working meeting of 25 leading media personalities, representatives of the Reagan White House secret team, donors committee member Richard Mellon-Scaife, and Federal agents, to plot an ambitious "Get LaRouche" propaganda offensive.

Over the course of the next year, literally dozens of slander pieces were planted in major American news outlets, from The New Republic, to the Wall Street Journal, to the Washington Post. When the cover was blown on the Train salon operation, leading participants, like NBC-TV's Pat Lynch, risked perjury prosecution to cover up for Train.

On Oct. 6-7, 1986, over 400 Federal, state, and local law-enforcement officials raided the offices in Leesburg, Va. associated with LaRouche, and the home where LaRouche was staying. Only through high-level intervention by friends of LaRouche in the U.S. government and intelligence establishment was a assassination averted. In December 1988, LaRouche was convicted in a railroad trial in Federal court in Alexandria, Va., and the next month sent to Federal prison, in what former Attorney General Ramsey Clark called the worst case of prosecutorial abuse he had ever seen.

Footnote: Eight months before the Leesburg raid, John Train's European and South African "friends" assassinated Sweden's Prime Minister Palme. Although evidence would later come out linking the South African mercenary circles bankrolled by Sir Jimmy Goldsmith to the Palme murder, Train's propaganda mill churned out a string of stories blaming the Palme murder on colleagues of Lyndon LaRouche.

Such are the ways of the "economic hitmen" and their "jackals."

José Piñera: Architect of Bush's 'Ownership' Society

by Cynthia R. Rush

José Piñera, the architect of Chile's 1981 social security privatization, likes to brag that he is a "freedom fighter" whose only goal is to help the poor improve themselves, teaching them self-reliance and pride of "ownership." In the hundreds of self-promoting articles plastered all over his website, he quotes from the Declaration of Independence and asserts that privatization of the pension system is "truly consistent with the ideas of America's Founding Fathers." In an October, 1998 editorial in his online publication Economia y Sociedad, he even had the gall to use Benjamin Franklin's quote that "rebellion against a tyrant is obedience to God," to justify the bloody U.S.-backed 1973 military coup against the government of President Salvador Allende.

"Consistent with the ideas of America's Founding Fathers"? Let's get this straight. Piñera is a fascist whose privatization of social security and several other free-market reforms were imposed by force, when he served first as Labor Minister and then as Mining Minister under the brutal 1973-90 Pinochet dictatorship and its

www.eumed.net/cursecon

José Piñera, former Labor Minister and Mining Minister of Chile—under Pinochet—and architect of Chile's disastrous social security privatization.

Operation Condor death-squad apparatus. Try as he might to portray himself as merely an economist and academic who opposed torture and what he calls the "excesses" of the Pinochet regime, the truth is that he justified and supported the 1973 coup, and the subsequent imposition of Schachtian austerity which became the hallmark of the Chilean "economic miracle."

It is this *anti-American* model that Bush's backers want to impose in the United States today. What the braggart Piñera calls "freedom" is really the bestial notion of "property rights" and individual greed espoused by John Locke, whom Piñera fawns over as that "great British political thinker." There is nothing that Piñera has done or proposes to do, that remotely reflects the Leibnizian principles of "pursuit of happiness" and defense of the General Welfare embedded in the Declaration of Independence and the Preamble to the U.S. Constitution.

Everywhere the Chile model has been applied—eight countries in Ibero-America and several in Eastern Europe—it has failed miserably, resulting in great poverty for the workers who are its victims. As one Bolivian trade unionist told LaRouchepac, "Al Capone couldn't have done a better job" in stealing workers' retirement funds.

Rip the Mask Off Fascism

That's why Piñera has become such a good friend and financial partner of John Train, the political and economic hitman who has for decades worked on behalf of Wall Street and Anglo-American financial interests against the American political system. Backed by such organizations as the Cato Institute and Hoover Institution, Piñera travels around the world to peddle the economic filth endorsed by Train and his partner in crime, George Shultz. That backing is what has given Piñera such international visibility.

Train's personal friendship with Piñera—both are "Harvard men"—is immediate grounds for investigating and exposing the former's role not only in Pinochet's fascist dictatorship and death-squad operation, but in Bush II's plan to impose the Chilean "model" in the U.S. as well.

Piñera has buttered up George Bush both privately and publicly by telling him that privatization of the U.S. Social Security system appeals to the "American experience" and "common sense and values of the people." Lying that the U.S. Social Security system is bankrupt, and sinking like the Titanic, he wrote Bush in a July 4, 2002 "Open Letter to the President of the United States," that privatization of Social Security "would demonstrate true leadership and become your legacy for all time." Piñera had met with Bush as early as August of 1997, when Bush was still Governor of Texas, to lobby for his plan.

But the Chilean is very explicit that pension privatization is part of a package deal. In a 2001 address at Boston University, he underscored that it "was introduced as part of a coherent set of radical free-market reforms, which were applied simultaneously. . . . In Chile, the same rationale that applies to the private pension system has already been extended, although imperfectly, to the areas of health and unemployment. . ."

And what were the results? "A radical redistribution of power from the state to civil society [which], by converting workers into individual owners of the country's capital, has created a political and cultural atmosphere more consistent with free markets and a free society."

That is, remove any governmental responsibility for defending the General Welfare, replacing it with a "cultural atmosphere" which gives free rein to the "invisible hand" of the market, and let the fittest survive. It is this "atmosphere" which reduces men to the level of animals.

Piñera also insists that the creation of private retirement accounts has led to a "virtuous cycle of trade liberalization" that has thrived regardless of who ran the government. In his twisted logic, market-invested retirement funds "mean that every worker is a capitalist" and thus "has a visible stake in the internationally-competitive economy."

'Long Live the Chilean Model'

The glaring omission in all of Piñera's self-aggrandizing articles and speeches, is that what he incredibly calls the "true revolution" of 1973-89 could only have been imposed by force. Ignoring the overwhelming evidence of coup plotting by Henry Kissinger, the CIA, and other U.S. government agencies that occurred even before Allende took office in November of 1970, Piñera covers for the 1973 coup by claiming the military had "no option" but to remove Allende.

A majority of the Lower House of Chile's Congress voted up a letter on Aug. 22, 1979 charging Allende with violating the Constitution and using "totalitarian" methods. Since Chile's Constitution had no provision for legally removing an elected President, the military had to act, writes Piñera.

"Regrettably," he adds, "a few members of the intelligence services went beyond the law and. . . committed human rights violations in the fight against political violence and terrorism." He then excuses himself by listing the newspaper articles he wrote while still in government denouncing human rights violations and torture.

He neglects to add that Pinochet's economic policy, which he applied, was one giant human rights violation, which left the average Chilean worker worse off in 1989 than in 1970. As Labor Minister in 1978-80, he was ripping up the 1931 labor code which provided too many protections for workers to suit his tastes. His 1979 labor reform package abolished the minimum wage and dismantled the once-powerful organized-labor movement. Collective bargaining was eliminated, while most unions ceased to exist because of the restrictions placed on their functioning.

Piñera boasts that the privatized social security system is a huge success, which has reduced poverty and unemployment and made Chileans "owners of the productive assets of the economy through their retirement accounts," known as AFPs (Pension Fund Administrators). In an article entitled "Long Live the Chilean Model," he explains that there will of course always be poor people, just as there will always be rich people. "The accelerated growth which eliminates poverty also rewards those who are more productive with higher wages, thereby creating the 'wealthy,' " Piñera explains.

Although Piñera also helped privatize the health-care system to create something akin to the managed-care system in the United States, and rewrote the country's mining legislation to favor foreign investors, he feels his job isn't finished. In 1990, he set up his own thinktank, Project Chile 2010, for the purpose of defending and perfecting the "model." By 2010, when Chile celebrates the bicentennial of its independence, the goal is to have deepened the reforms, such that the country will have a fully privatized school system—no public schools at all—; to partially privatize Codelco, the state-run copper firm; and to consolidate a "new paradigm of the state" which will oversee only "essential functions," while everything else is run by the private sector.

Piñera has also dedicated an enormous amount of time manically travelling around the world to peddle his fascist model, through his International Center for Pension Reform. In his 2001 speech at Boston University, entitled "Toward a World of Worker Capitalists," he boasts about having created a new "G-8" of eight Ibero-American countries that have emulated the Chilean privatized pension system, making the region "a world leader in structural pension reform." If Mexico and El Salvador are successful, he predicts, "pension reform will spread rapidly to the rest of Central America." The biggest "laggard" on the continent is Brazi, he complains.

Piñera also takes credit for the fact that Poland, Hungary, and Kazakhstan began to introduce private retirement accounts in the 1990s, and even Russia and China are planning similar reforms. But the real challenge, he states, will be Western Europe, whose "political elites . . . have so far been unwilling to engage in structural pension reform."

George Shultz, the Man with The 'Chile Model' of Fascism

by Richard Freeman and Paul Gallagher

No one figure is more responsible for the drive to privatize and loot Social Security than George Pratt Shultz of Bechtel; senior "fixer" of the Republican Party; senior recruiter of the George W. Bush White House team, "the Vulcans"; and, like Robert McNamara before him, a preeminent "economic hit-man" of the Anglo-American financial order on the international stage. Shultz was the key official—issuing instructions to President Richard Nixon—who brought Franklin Roosevelt's Bretton Woods postwar monetary system to an end in August 1971. He was the master of the "Chicago economists" who dominated Gen. Augusto Pinochet's 1973 coup and dictatorship in Chile. And Shultz in 1981 demanded from fascist Chile's Labor Minister José Piñera, who had just privatized social security there, a memo to incoming President Ronald Reagan on "how Chile did it." This was the first shot, fired 23 years ago, in the war against FDR's Social Security in the United States. Shultz's banker network and Piñera have collaborated ever since; and in fact, the "Chicago Boys" team of which Piñera was a part in Pinochet's Chile, was a product then of Shultz and his pet economist Milton Friedman.

Shultz, in a PBS-TV interview on Oct. 2, 2000, said of the Chile events: "The armed forces took over and no doubt did some unnecessarily brutal things in the process, but nevertheless they took over. . . . There were in Chile some people who came to be called 'Chicago Boys,' they had studied economics at the University of Chicago. . . . And so a Chicago School-like economy gradually evolved in Chile. It worked."

Shultz vs. Roosevelt

Shultz's inside job in getting President Nixon to announce on Aug. 15, 1971, that the United States was going off the gold-reserve system—toward the floating-exchange-rate system that has ruled "globalization" ever since—hammered the nails in the coffin of Roosevelt's protectionist Bretton Woods system. Shultz brought that system to an official end with his declarations as U.S. Treasury Secretary, at the September 1973 International Monetary Fund annual meeting—just two and a half weeks after Pinochet's coup created Shultz's "Chile model" of fascist economics to be exported internationally.

Today, Shultz directs two of the bankers' most crucial projects. First, through the Vulcan team featuring Condoleezza Rice and Paul Wolfowitz—a team Shultz created for a Bush II Presidency in summer 1998—Shultz controls White House underlying policy. Second, ever since Shultz assembled the Schwarzenegger for Governor campaign in California in 2003, he has run the hands-on "Beast-Man Project": to make Arnie into a Hitler-like live force in this country.

EIRNS/Stuart Lewis

George Shultz dominated economic policy under Nixon, served as Secretary of State for Ronald Reagan, and was the architect of George W. Bush's 'team.'

George Shultz was raised to set oligarchical policy; his father, Birl Earl Shultz, was a major intelligence figure in the Anglo-American "Trust" operation. The elder Shultz was the personnel director for the American International Corporation of 120 Broadway, New York, N.Y., which was the most powerful hub of World War I-era Anglo-American financial chicanery. In 1957, George Shultz joined the Chicago School, becoming an economics professor at the University of Chicago's Graduate Business School; he was dean of the Business School, 1962-68. During this time, the Economics Department flourished as the American command post for the financier oligarchy's Mont Pelerin Society, which preached the anti-regulation, anti-government cult of speculative monetarism. Pinochet's Chile, with its jack-boot fascism and radical privatization/looting of the country's national patrimony, was the personification of the Chicago School ideology. It is not surprising that the University of Chicago of the Shultz era provided cohabitation for the neo-liberal Mont Pelerinites and the Hitlerianism of Leo Strauss and the Straussian promoters of Nazi ideologues Martin Heidegger and Carl Schmidt.

As a trusted Chicago School agent, in 1969, Shultz was seconded to the incoming Richard Nixon Administration as Labor Secretary, at which post he served through June 1970; then, as first head of the Office of Management and Budget (OMB), he presided over brutal austerity until May-June 1972; finally, he functioned as Treasury Secretary until June 1974. Working in tandem with Undersecretary of the Treasury for Monetary Affairs Paul A. Volcker, Shultz controlled and then replaced Treasury Secretary John Connally. In 1969, Nixon was induced to sign National Security Study Memorandum 7, which created a formally designated "Volcker Group" inside his Administration, directed to prepare plans to change monetary policy. In May 1971, this group produced a paper entitled, "Contingency," which already proposed "suspension of gold convertibility."

As head of OMB, Shultz used the burgeoning U.S. budget and balance-of-payment crises to push his way into advising Nixon on international monetary affairs. After a series of monetary crises that had started with the November 1967 devaluation of Britain's pound sterling, Shultz and Volcker made their move. According to a State Department document, International Monetary Policy, 1969-72, on Aug. 2, 1971, and again on Aug. 12, President Nixon sequestered himself with Shultz and Connally in extensive meetings at which the demolition of the Bretton Woods system was mapped out. On the matter of the international monetary system, Connally was constrained to present Volcker's ideas. After two weeks of secret meetings, culminating in two days of Camp David meetings, on Aug. 15, President Nixon announced that he was severing the dollar from the gold reserve system. Nixon also announced a fascist domestic austerity policy that was part of the same package.

In his book, "Economic Policy Beyond the Headlines," Shultz gloated: "And it was accepted not only that fixed rates were clearly impracticable for the time being, but that also *we were fortunate to have in place a flexible market system. That was a bitter pill for some to swallow. To others, including the U.S., the emergence of a market-based system* was seen as a greater improvement over the inflexible gold-based system that preceded Camp David" (emphasis added). In June 1972, Shultz had himself appointed U.S. Treasury Secretary. In March 1973, he personally arranged, at a tense G-10 Finance Ministers meeting in Paris, to eliminate all support for fixed exchange rates. Shultz crowed that "markets rather than governments were explicitly in charge."

'Economic Hit Man'

In 1981, George Shultz, as Bechtel Corp. president and advisor to the transition team of President-elect Ronald Reagan, paid a visit to José Piñera, Chile's Minister for Labor and Social Security, who imposed the privatization of social security at the point of a bayonet. Shultz got from Piñera a memo on how to privatize Social Security on the Chilean model. Piñera describes what happened in an entry on his website, dated January 1981: "George Shultz, former Treasury Secretary and now advising President-elect Ronald Reagan, visits me in the Ministry of Mining at the head of a large Bechtel delegation. After discussing mining issues, he stays alone for another hour and asks me to explain fully our revolutionary social security reform. At the end, he asks me for a one-page memo on the reform to give to Reagan. . . . Next day I delivered it to his hotel. The Dow Jones is at 900."

Shultz apparently could not persuade Reagan. but kept working on the matter. Today, he is a board member of the Republicans' House Policy Committee's "Social Security Working Group," leading the push for Social Security privatization, which George Bush is seeking to implement now.

In his book, "Confessions of an Economic Hit Man," author John Perkins, a former chief economist for the international consulting firm Charles T. Main, identifies the process by which "economic hitmen" working for large financial institutions and other firms indebt Third World countries, and then use the debt to extract military and political concessions from the indebted country; and to commit genocide, so as to devour the country's natural resources.

In his analytical account, Perkins identified that George Shultz, both as president of Bechtel (1975-82) and as Ronald Reagan's Secretary of State (1982-89), functioned as the heir to Robert Strange McNamara as one of the top figures in the new imperial pyramid of power, which employed the structure of economic hitmen to bleed and crush nations. Shultz used force to topple governments, such as the Philippines' Ferdinand Marcos in 1986, and such as the various attacks on Panama, culminating in the 1989 invasion. On Oct. 1, 1982, Mexican President José Lopez Portillo, fresh from his courageous imposition of exchange controls the month before, carried out to protect Mexico's credit, told the United Nations General Assembly that the world must either change (Shultz's creation) the international monetary system "or else enter into a new medieval Dark Age." Then-Secretary of State Shultz had spoken one day earlier, Sept. 30, threatening the nations present that they had better stay in line, and pay their debts to the IMF.

But Shultz's power goes further. On Oct. 25, 1984, speaking at the Park Avenue Synagogue in New York, Shultz, dreaming of world empire, delivered remarks calling for the U.S. to adopt a preemptive first-strike policy, such as one might associate with Vice President Cheney or Defense Secretary Donald Rumsfeld today. Shultz argued that the United States had to strike first: "The public must understand before the fact that some will seek to cast any preemptive or retaliatory action by us in the worst light. . . The public must understand before the fact that occasions will come when their government must act before each and every fact is known."

The Vulcans and Arnie

That the bankers have entrusted to Shultz the special cases of George W. Bush and Arnold Schwarzenegger, indicates the level of overview and direction Shultz exercises over the whole system.

In April 1998, at Shultz's Palo Alto, Calif. home, the George W. Bush for President in 2000 campaign was formulated and launched. Shultz later agreed to chair the Bush Presidential Exploratory Committee; his vice chair was Dick Cheney. Recognizing that "Dubya" was one of the most unqualified individuals ever to run for, let alone hold, high office, Shultz formed a group to shape the *tabula rasa* of Bush's mind. Group participant Condoleezza Rice gave the group the name "Vulcans," but it was Shultz who ran it and gave it its neo-conservative ideology. Starting in autumn 1998, Shultz arranged that every Sunday night, Condi Rice, and the Straussian Paul Wolfowitz (nowy #2 at the Defense Department) would hold a conference call with Bush, then Governor of Texas. Soon, it is reported, the Cold Warriors and Zionist Lobby zealots Richard Perle and Dov Zakheim were holding Monday morning conference calls with Bush. Thus Shultz developed a network through which, at critical junctures, to set White House policy.

A similar process is underway for Arnie, the iron-pumping, steroid-chugging import from Austria, who in a 1977 interview said, "I admired Hitler. . . because he came from being a little man with almost no formal education, up to power, and I admire him for being such a good public speaker and for his way of getting to the people and so on. . . ."

But how did Arnie get into the Governorship of California?

The deregulated electricity "Enron" rip-off of California in 2000-01, to the tune of approximately $70 billion, led to the collapse of the electricity grid, a crisis for basic industry, and a rage within the population at rising energy bills. The circle that included George Shultz turned the rage against the Governor, Democrat Gray Davis. On Aug. 15, 2003, Arnie appeared before the cameras to announce his campaign for Governor during the recall; he was flanked by his campaign advisory team leaders George Shultz and Warren Buffett. Buffett, who runs one of the biggest vulture funds in the world, has been lionized as the "genius" of the investment world by Wall Street's John Train.

On Sept 17, 2004, Schwarzenegger announced the establishment of a 16-member Council of Economic Advisors that will help him "in confronting the economic challenges facing" California. Its chairman is George Shultz.

Schwarzenegger has already exploded California's state debt by 50% and savaged its government programs, in a single year as Governor. Now Shultz is preparing Arnie for a Beast-Man run for the U.S. Presidency.

As his 50-year record shows, when the system is in breakdown, and the oligarchy desperately needs sources of loot—as now, with Social Security—George Shultz is the man with the "Chile model."

IV. LAROUCHE'S SOLUTION

Maintain a Strong Social Security With A Strong Physical Economy

by L. Wolfe and Nancy Spannaus

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

Library of Congress

President Franklin D. Roosevelt signs the legislation initiating the Tennessee Valley Authority; FDR's massive infrastructure programs were conceptually linked with his Social Security program.

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

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

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

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

A Trust for Future Generations

In crafting the proposal, FDR and his team, headed by Labor Secretary Frances Perkins, designed the funding to make explicit his concept of the program's expression of the General Welfare principle. Rather than have a portion of the employee's paycheck set

EIRNS/Warren Quesnell

At a modern-day soup kitchen: the sort of poverty that Lyndon LaRouche's jobs-and-infrastructure program is intended to eliminate, like FDR's New Deal before it.

aside, to pay for future benefits of that employee and that employee alone, the tax on the paycheck would be appropriated into a "trust fund" that would finance the entire program without additional expense from the general budget; the employee's contribution was to be matched by an equal contribution from the employer. And most important, the control of these trust funds was to be in the hands of the Federal government and the Federal government only.

FDR was aware from the start of the danger that private financial interests would try to get their hands on the Social Security funds. In his address to the American people on Jan. 17, 1935, he warned: "Third, sound financial management of the funds and the reserves, and the protection of the credit structure of the nation should be assured by retaining Federal control over all funds through the trustees in the Treasury of the United States."

The Social Security payroll tax paid by employers was highly controversial and the subject of attack by various financial and business groups. Roosevelt countered that this was "fair," since the employer's well-being and wealth had been created by the labor of his employee; such employers now had an obligation to help provide for the economic security of those who created their wealth. (The Chile plan, you will notice, does not tax employers.)

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

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

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

It Really Does Work!

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

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

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

Meanwhile, the U.S. population is rising faster than in the recent past, shattering some estimates about numbers of people to be covered in the future. On the other hand, the increase in the population, if that population goes to work, will ultimately lead to more people paying into the fund, and providing for retirees.

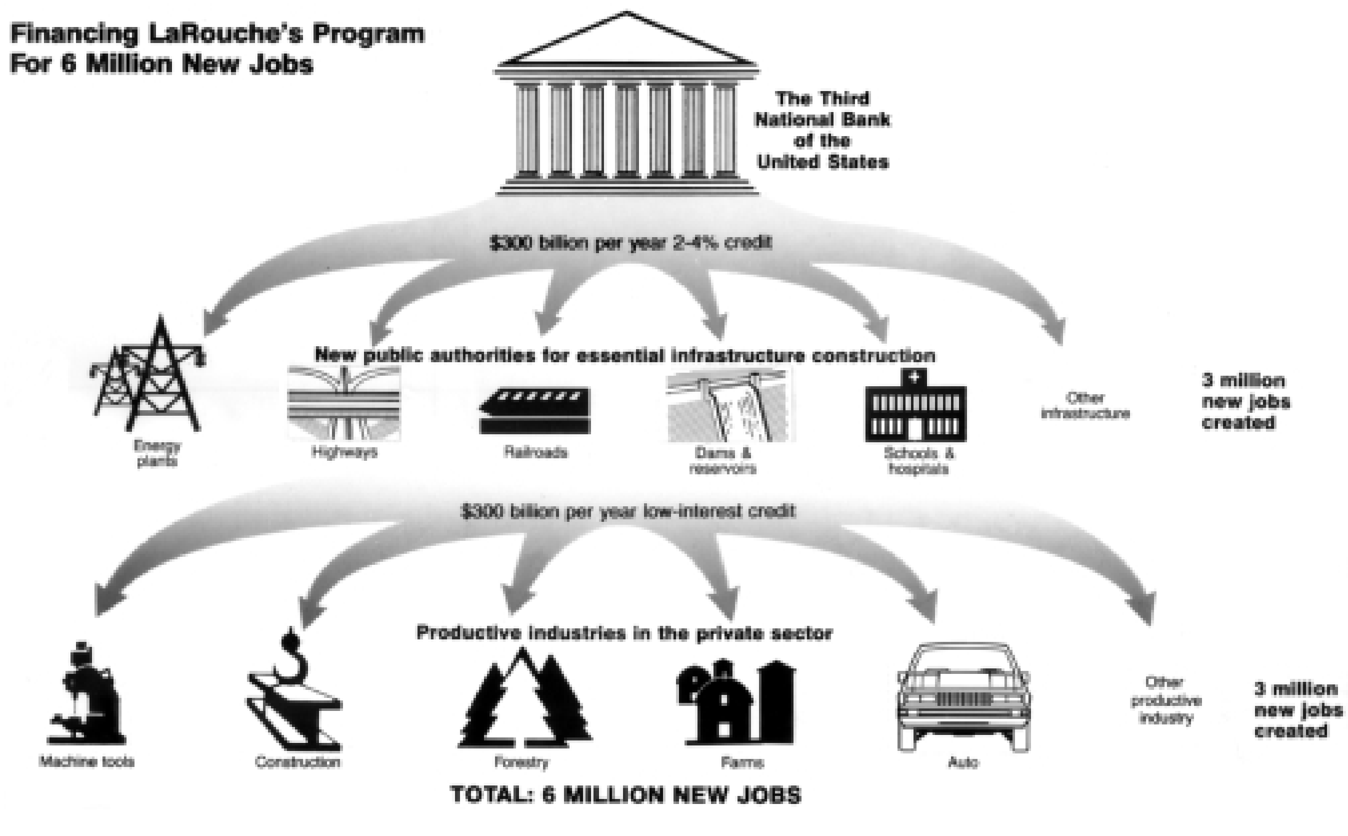
Fixing the Economy Is the Solution

The guarantee for a strong Social Security program lies strictly in providing for the expansion of the physical economy, through the promotion of scientific and technological progress. Over the course of the last 30 years, what has weakened the Social Security system has been the take-down of the physical economy in every crucial area, especially the failure to replace and upgrade vital infrastructure in the fields of transportation, power, and water. Collapses in these areas have led to declines in real physical productivity, as opposed to the apparent monetary "bonanzas" achieved through the cutting of wages, maintenance, and necessary long-term investments.

On top of the physical decline, of course, the bankers and their servants in government have piled up an enormous debt upon an economy more and more incapable of paying it. This process has indeed brought us to the point of bankruptcy—not in the Social Security system per se, but as a financial system as a whole. It's the system that's bankrupt, not Social Security. And the system can be fixed.

The only solution to this bankruptcy crisis is Lyndon LaRouche's program for bankruptcy reorganization, followed by the issuance of Federally backed credit for a massive infrastructure construction program, to begin to rebuild the economy. LaRouche estimates that such a program will create 10 million new jobs almost immediately, both on the public or private projects themselves, and within the industries which will have to supply the components for them.

"We can't afford that!" you can almost hear the average Democrat, not to mention Republican, scream. That's because they don't understand the basic principles of physical economy put forward by LaRouche, or even the basis upon which FDR premised his recovery



program.

Economic progress, just like Social Security, depends upon long-term investments, investments which will actually only be realized in a generation, or longer. Just as you don't expect a baby to "pay for itself," or make a contribution to society, in less than 25 years or so, so you don't expect an immediate "pay-back" from an investment in an electric power plant, or a dam, or a water treatment plant. Society will eventually reap the benefits of this infrastructure, but it may be your children, even your grandchildren, not you yourself. Thus, the appropriateness and necessity of government-backed credit, which can be paid back over a long period through increased tax revenues.

While FDR did not directly link his Social Security program with his infrastructure programs, they were nonetheless conceptually linked in this way. Massive projects such as the Tennessee Valley Authority network of dams and power plants and irrigation systems were initiated by FDR, with an understanding that they would create future revenues and prosperity. That increased prosperity would, among other things, permit the United States to take care of those in society who could not support themselves, such as the aged, sick, and unemployed.

Government credit can be issued today, in the same way, in order to launch such projects. As with NASA, whose investment in the Apollo program was calculated to have paid back the U.S. economy with a ratio of $14 to $1, the benefits of employment in decent-paying jobs, and of the physical efficiency of the economy—through such improvements as fast trains replacing traffic jams, or reliable electricity replacing brownouts—will more than pay for the investments required to achieve them.

Of course, this program cannot be carried out unless the current bankrupt financial system is reorganized, with masses of speculative debt frozen, and new regulations put into effect which will ensure that the new credit is directed to certain specific projects, is maintained at a very low interest rate (2-4%), and does not become absorbed into the speculative financial system which is currently leeching on the national wealth.

LaRouche's recovery program has called for precisely such measures, at the same time that it has insisted that the ongoing commitments to entitlements like Social Security and Medicare be maintained, and it has called for negotiations between nations which will restore protection, fix currency rates, and create the conditions for new, stable, mutually beneficial international economic cooperation agreements.

To save Social Security, rebuild the economy! Now!