

World Depression: Regional Wars and the Decline of the US Empire

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Introduction

All the idols of capitalism over the past three decades crashed. The assumptions and presumptions, paradigm and prognosis of indefinite progress under liberal free market capitalism have been tested and have failed. We are living the end of an entire epoch: Experts everywhere witness the collapse of the US and world financial system, the absence of credit for trade and the lack of financing for investment. A world depression, in which upward of a quarter of the world's labor force will be unemployed, is looming. The biggest decline in trade in recent world history – down 40% year to year – defines the future. The immanent bankruptcies of the biggest manufacturing companies in the capitalist world haunt Western political leaders. The 'market' as a mechanism for allocating resources and the government of the US as the 'leader' of the global economy have been discredited. (Financial Times, March 9, 2009) All the assumptions about 'self-stabilizing markets' are demonstrably false and outmoded. The rejection of public intervention in the market and the advocacy of supply-side economics have been discredited even in the eyes of their practitioners. Even official circles recognize that 'inequality of income' contributed to the onset of the economic crash and should be corrected. Planning, public ownership, nationalization are on the agenda while socialist alternatives have become almost respectable.

With the onset of the depression, all the shibboleths of the past decade are discarded: As export-oriented growth strategies fail, import substitution policies emerge. As the world economy 'de-globalizes' and capital is 'repatriated' to save near bankrupt head offices – national ownership is proposed. As trillions of dollars/Euros/yen in assets are destroyed and devalued, massive layoffs extend unemployment everywhere. Fear, anxiety and uncertainty stalk the offices of state, financial directorships, the office suites the factories, and the streets...

We enter a time of upheaval, when the foundations of the world political and economic order are deeply fractured, to the point that no one can imagine any restoration of the political-economic order of the recent past. The future promises economic chaos, political upheavals and mass impoverishment. Once again, the specter of socialism hovers over the ruins of the former giants of finance. As free market capital collapses, its ideological advocates jump ship, abandon their line and verse of the virtues of the market and sing a new chorus: the State as Savior of the System - a dubious proposition, whose only outcome will be to prolong the pillage of the public treasury and postpone the death agony of capitalism as we have known it.

Theory of Capital Crisis: The Demise of the Economic Expert

The failed economic policies of political and economic leaders are rooted in the operation of markets – capitalism. To avoid a critique of the capitalist system, writers are blaming the leaders and financial experts for their incompetence, ‘greed’ and individual defects.

Psychobabble has replaced reasoned analysis of structures, material forces and objective reality, which drive, motivate and provide incentives to investors, policy makers and bankers. When capitalist economies collapse, the gods drive the politicians and editorial columnists crazy, depriving them of any capacity to reason about objective processes and sending them into the wilderness of subjective speculation.

Instead of examining the opportunity structures created by enormous surplus capital and the real existing profit margins, which in drive capitalists into financial activity, we are told it was ‘the failure of leadership’. Instead of examining the power and influence of the capitalist class over the state, in particular the selection of economic policy-makers and regulators who would maximize their profits, we are told there was a ‘lack of understanding’ or ‘willful ignorance of what markets need’. Instead of looking at the real social classes and class relations – specifically the historically existing capitalist classes operating in real existing markets - the psycho-babblers posit an abstract ‘market’ populated by imaginary (‘rational’) capitalists. Instead of examining how rising profits, expanding markets, cheap credit, docile labor, and control over state policies and budgets, create ‘investor confidence’, and, in their absence, destroy ‘confidence’, the psychobabblers claim that the ‘loss of confidence’ is a cause for the economic debacle. The objective problem of loss of specific conditions, which produce profits, as leading to the crisis, is turned into a ‘perception’ of this loss.

Confidence, faith, hope, trust in capitalist economies derive from economic relations and structures which produce profits. These psychological states are derivative from successful outcomes: Economic transactions, investments and market shares that raise value, multiply present and future gains. When investments go sour, firms lose money, enterprises go bankrupt, and those prejudiced ‘lose confidence’ in the owners and brokers. When entire economic sectors severely prejudice the entire class of investors, depositors and borrowers, there is a loss of ‘systemic confidence.’

Psychobabble is the last resort of capitalist ideologues, academics, experts and financial page editorialists. Unwilling to face the breakdown of real existing capitalist markets, they write and resort to vague utopias such as ‘proper markets’ distorted by ‘certain mindsets’. In other words, to save their failed ideology based on capitalist markets, they invent a moral ideal the ‘proper capitalist mind and market’, divorced from real behavior, economic imperatives and contradictions embedded in class warfare.

The inadequate and shoddy economic arguments, which pervade the writing of capitalist ideologues parallels the bankruptcy of the social system in which they are embedded. The intellectual and moral failures of the capitalist class and their political followers are not personal defects; they reflect the economic failure of the capitalist market.

The crash of the US financial system is symptomatic of a deeper and more profound collapse of the capitalist system that has its roots in the dynamic development of capitalism in the previous three decades. In its broadest terms, the current world depression results from the classic formulation outlined by Karl Marx over 150 years ago: the contradiction between the development of the forces and relations of production.

Contrary to the theorists who argue that ‘finance’ and ‘post-industrial’ capitalism have ‘destroyed’ or de-industrialized the world economy and put in its place a kind of “casino” or speculative capital, in fact, we have witnessed the most spectacular long-term growth of industrial capital employing more industrial and salaried workers than ever in history. Driven by rising rates of profit, large scale and long-term investments have been the motor force for the penetration by industrial and related capital of the most remote underdeveloped regions of the world. New and old capitalist countries spawned enormous economic empires, breaking down political and cultural barriers to incorporating and exploiting billions of new and old workers in a relentless process. As competition from the newly industrialized countries intensified, and as the rising mass of profits exceeded the capacity to reinvest them most profitably in the older capitalist centers, masses of capital migrated to Asia, Latin America, Eastern Europe, and to a lesser degree, into the Middle East, Southern Africa.

Huge surplus profits spilled over into services, including finance, real estate, insurance, large-scale real estate and urban lands.

The dynamic growth of capitalism’s technological innovations found expression in greater social and political power – dwarfing the organization of labor, limiting its bargaining power and multiplying its profits. With the growth of world markets, workers were seen merely as ‘costs of production’ not as final consumers. Wages stagnated; social benefits were limited, curtailed or shifted onto workers. Under conditions of dynamic capitalist growth, the state and state policy became their absolute instrument: restrictions, controls, regulation were weakened. What was dubbed “neo-liberalism” opened new areas for investment of surplus profits: public enterprises, land, resources and banks were privatized.

As competition intensified, as new industrial powers emerged in Asia, US capital increasingly invested in financial activity. Within the financial circuits it elaborated a whole series of financial instruments, which drew on the growing wealth and profits from the productive sectors.

US capital did not ‘de-industrialize’ – it relocated to China, Korea and other centers of growth, not because of “falling profits” but because of surplus profits and greater profits overseas.

Capital’s opening in China provided hundreds of millions of workers with jobs subject to the most brutal exploitation at subsistence wages, no social benefits, little or no organized social power. A new class of Asian capitalist collaborators, nurtured and facilitated by Asian state capitalism, increased the enormous volume of profits. Rates of investments reached dizzying proportions, given the vast inequalities between income/property owning class and wagedworkers. Huge surpluses accrued but internal demand was sharply constrained. Exports, export growth and overseas consumers became the driving force of the Asian economies. US and European manufacturers

invested in Asia to export back to their home markets – shifting the structure of internal capital toward commerce and finance. Diminished wages paid to the workers led to a vast expansion in credit. Financial activity grew in proportion to the entrance of commodities from the dynamic, newly industrialized countries. Industrial profits were re-invested in financial services. Profits and liquidity grew in proportion to the relative decline in real value generated by the shift from industrial to financial/commercial capital.

Super profits from world production, trade, finances and the recycling of overseas earnings back to the US through both state and private financial circuits created enormous liquidity. It was far beyond the historical capacity of the US and European economies to absorb such profits in productive sectors.

The dynamic and voracious exploitation of the huge surplus labor forces in China, India, and elsewhere and the absolute pillage and transfer of hundreds of billions from ex-communist Russia and ‘neo-liberalized’ Latin America filled the coffers of new and old financial institutions.

Over-exploitation of labor in Asia, and the over-accumulation of financial liquidity in the US led to the magnification of the paper economy and what liberal economist later called “global disequilibrium” between savers/industrial investors/exporters (in Asia) and consumers/financiers/importers (in the US). Huge trade surpluses in the East were papered over by the purchase of US T-notes. The US economy was precariously backed by an increasingly inflated paper economy.

The expansion of the financial sector resulted from the high rates of return, taking advantage of the ‘liberalized’ economy imposed by the power of diversified investment capital in previous decades. The internationalization of capital, its dynamic growth and the enormous growth of trade outran the stagnant wages, declining social payments, the huge surplus labor force. Temporarily, capital sought to bolster its profits via inflated real estate based on expanded credit, highly leveraged debt and outright massive fraudulent ‘financial instruments’ (invisible assets without value). The collapse of the paper economy exposed the overdeveloped financial system and forced its demise. The loss of finance, credit and markets, reverberated to all the export-oriented industrial manufacturing powers. The lack of social consumption, the weakness of the internal market and the huge inequalities denied the industrial countries any compensatory markets to stabilize or limit their fall into recession and depression. The dynamic growth of the productive forces based on the over-exploitation of labor, led to the overdevelopment of the financial circuits, which set in motion the process of ‘feeding off’ industry and subordinating and undermining the accumulation process to highly speculative capital.

Cheap labor, the source of profits, investment, trade and export growth on a world scale, could no longer sustain both the pillage by finance capital and provide a market for the dynamic industrial sector. What was erroneously dubbed a financial crisis or even more narrowly a “mortgage” or housing crisis, was merely the “trigger” for the collapse of the overdeveloped financial sector. The financial sector, which grew out of the dynamic expansion of ‘productive’ capitalism, later ‘rebounded’ against it. The historic links and global ties between industry and financial capital led inevitably to a systemic

capitalist crisis, embedded in the contradiction between impoverished labor and concentrated capital. The current world depression is a product of the ‘over-accumulation’ process of the capitalist system in which the crash of the financial system was the ‘detonator’ but not the structural determinant. This is demonstrated by the fact that industrial Japan and Germany experienced a bigger fall in exports, investments and growth than ‘financial’ US and England.

The capitalist system in crisis destroys capital in order to ‘purge itself’ of the least efficient, least competitive and most indebted enterprises and sectors, in order to re-concentrate capital and reconstruct the powers of accumulation – political conditions permitting. The re-composition of capital grows out of the pillage of state resources – so-called bailouts and other massive transfers from the public treasury (read ‘taxpayers’), which results from the savage reduction of social transfers (read ‘public services’) and the cheapening of labor through firings, massive unemployment, wage, pension and health reductions and the general reduction of living standards in order to increase the rate of profit.

The World Depression: Class Analysis

The aggregate economic indicators of the rise and fall of the world capitalist system are of limited value in understanding the causes, trajectory and impact of the world depression. At best, they describe the economic carnage; at worst, they obfuscate the leading (ruling) social classes, with their complex networks and transformations, which directed the expansion and economic collapse and the wage and salaried (working) classes, which produced the wealth to fuel the expansive phase and now pay the cost of the economic collapse.

It is a well-known truism that those who caused the crisis are also the greatest beneficiaries of government largesse. The crude and simple everyday observations that the ruling class ‘made’ the crisis and the working class ‘pays’ the cost, at a minimum, is a recognition of the utility of class analyses in deciphering the social reality behind the aggregate economic data. Following the recession of the early 1970s, the Western industrial capitalist class secured financing to launch a period of extensive and deep growth covering the entire globe. German, Japanese and Southeast Asian capitalists flourished, competed and collaborated with their US counterpart. Throughout this period the social power, organization and political influence of the working class witnessed a relative and absolute decline in their share of material income. Technological innovations, including the re-organization of work, compensated for wage increases by reducing the ‘mass of workers’ and in, particular, their capacity to pressure the prerogatives of management. The capitalist strategic position in production was strengthened: they were able to exercise near absolute control over the location and movements of capital.

The established capitalist powers – especially in England and the US -- with large accumulations of capital and facing increasing competition from the fully recovered German and Japanese capitalists, sought to expand their rates of return by moving capital investments into finance and services. At first, this move was linked and directed towards promoting the sale of their manufactured products by providing credit and

financing toward the purchases of automobiles or 'white goods'. Less dynamic industrial capitalists relocated their assembly plants to low-wage regions and countries. The results were that industrial capitalists took on more the appearance of 'financiers' in the US even as they retained their industrial character in the operation of their overseas manufacturing subsidiaries and satellite suppliers. Both overseas manufacturing and local financial returns swelled the aggregate profits of the capitalist class. While capital accumulation expanded in the 'home country', domestic wages and social costs were under pressure as capitalists imposed the costs of competition on the backs of wage earners via the collaboration of the trade unions in the US and social democratic political parties in Europe. Wage constraints, tying wages to productivity in an asymmetrical way and labor-capital pacts increased profits. US workers were 'compensated' by the cheap consumer imports produced by the low-wage labor force in the newly industrializing countries and access to easy credit at home.

The Western pillage of the former-USSR, with the collaboration of gangster-oligarchs, led to the massive flow of looted capital into Western banks throughout the 1990s. The Chinese transition to capitalism in the 1980s, which accelerated in the 1990s, expanded the accumulation of industrial profits via the intensive exploitation of tens of millions of waged workers employed at subsistence levels. While the trillion-dollar pillage of Russia and the entire former Soviet Union bloated the West European and US financial sector, the massive growth of billions of dollars in illegal transfers and money laundering toward US and UK banks added to the overdevelopment of the financial sector. The rise in oil prices and 'rents' among 'rentier' capitalists added a vast new source of financial profits and liquidity. Pillage, rents, and contraband capital provided a vast accumulation of financial wealth disconnected from industrial production. On the other hand, the rapid industrialization of China and other Asian countries provided a vast market for German and Japanese high-end manufacturers: they supplied the high quality machines and technology to the Chinese and Vietnamese factories.

US capitalists did not 'de-industrialize' – the country did. By relocating production overseas and importing finished products and focusing on credit and financing, the US capitalist class and its members became diversified and multi-sectoral. They multiplied their profits and intensified the accumulation of capital.

On the other hand, workers were subject to multiple forms of exploitation: wages stagnated, creditors squeezed interest, and the conversion from high wage/high skill manufacturing jobs to lower-paid service jobs steadily reduced living standards.

The basic process leading up to the breakdown was clearly present: the dynamic growth of western capitalist wealth was based, in part, on the brutal pillage of the USSR and Latin America, which profoundly lowered living standards throughout the 1990s. The intensified and savage exploitation of hundreds of millions of low-paid Chinese, Mexican, Indonesian and Indochinese workers, and the forced exodus of former peasants as migrant laborers to manufacturing centers led to high rates of accumulation. The relative decline of wages in the US and Western Europe also added to the accumulation of capital. The German, Chinese, Japanese, Latin American and Eastern European emphasis on export-driven growth added to the mounting 'imbalance' or contradiction between concentrated capitalist wealth and ownership and the growing mass of low-paid workers. Inequalities on a world scale grew geometrically. The dynamic accumulation

process exceeded the capacity of the highly polarized capitalist system to absorb capital in productive activity at existing high rates of profit. This led to the large scale and multiform growth of speculator capital inflating prices and investing in real estate, commodities, hedge funds, securities, debt-financing, mergers and acquisitions -- all divorced from real value-producing activity. The industrial boom and the class constraints imposed on workers wages undermined domestic demand and intensified competition in world markets. Speculator-financial activity with massive liquidity offered a 'short-term solution': profits based on debt financing. Competition among lenders fueled the availability of cheap credit. Real estate speculation was extended into the working class, as wage and salaried workers, without personal savings or assets, took advantage of their access to easy loans to join the speculator-induced frenzy - based on an ideology of irreversible rising home values. The inevitable collapse reverberated throughout the system – detonated at the bottom of the speculative chain. From the latest entrants to the real estate sub-prime mortgage holders, the crisis moved up the ladder affecting the biggest banks and corporations, who engaged in leveraged buyouts and acquisitions. All 'sectors', which had 'diversified' from manufacturing to finance, trade and commodities speculation, were downgraded. The entire panoply of capitalists faced bankruptcy. German, Japanese and Chinese industrial exporters who exploited labor witnessed the collapse of their export markets.

The 'bursting' financial bubble was the product of the 'over-accumulation' of industrial capital and the pillage of wealth on a world scale. Over-accumulation is rooted in the most fundamental capitalist relation: the contradictions between private ownership and social production, the simultaneous concentration of capital and sharp decline of living standards.

Obama and the Capitalist Crisis: A Class Analysis

Indicators of the deepening depression in 2009 are found everywhere:

- Bankruptcies rose by 14% in 2008 and are set to rise another 20% in 2009 (Financial Times, Feb. 25, 2009; p27).

The write-down of the Western big banks is running at 1 Trillion dollars and growing (according to the Institute for International Financing, the banking groups Washington lobby). (Financial Times , March 10, 2009 p.9).

And according to the Financial Times (ibid) the losses arising from banks having to mark their investments down to market prices stand at 3 Trillion dollars – equivalent to a year's worth of British economic production. In the same report, the Asian Development Bank is quoted as having estimated that financial assets worldwide have fallen by more than \$50 trillion – a figure of the same order as annual global output. For 2009, the US will run a budget deficit of 12.3% of gross domestic product...giant fiscal deficits...that will ultimately ruin public finances.

The world markets have been in a vertical fall:

- The TOPIX has fallen from 1800 in mid-2007 to 700 in early 2009;

- Standard and Poor from 1380 in early 2008 to below 700 in 2009;
- FTSE 100 from 6600 to 3600 in early 2009;
- Hang Seng from 32,000 in early 2008 to 13,000 at the start of 2009 (Financial Times, Feb 25, 2009; p27).
- In the fourth quarter of 2008, GDP shrank at annualized rate of 20.8% in South Korea, 12.7% in Japan, 8.2% in Germany, 2.9% in the UK and 3.8% in the US (FT, Feb.25, 2009; p9).
- The Dow Jones Industrial Average has declined from 14,164 in October 2007 to 6500 in March 2009.
- Year on year declines in industrial output were 21% in Japan, 19% in South Korea, 12% in Germany, 10% in the US, and 9% in the UK (Financial Times, Feb.25, 2009; p.9.)
- Net private capital flows to less developed capitalist countries from the imperial countries were predicted to shrink by 82% and credit flows by \$30 billion USD (Financial Times, Feb. 25, 2009; p9).
- The US economy declined by 6.2% in the last three months of 2008 and fell further in the first quarter of 2009 as a result of a sharp decline in exports (23.6%) and consumer spending (4.3%) in the final quarter of 2008 (British Broadcasting Corporation, Feb. 27, 2009).

With over 600,000 workers losing their jobs monthly in the first three months of 2009, and many more on short hours and scheduled for axing throughout 2009, real and disguised unemployment may reach 25% by the end of the year. All of the signs point to a deep and prolonged depression:

- Automobile sales of General Motors, Chrysler and Ford were down nearly 50% year to year (2007-2008). The first quarter of 2009 saw a further decline of 50%.
- Foreign markets are drying up as the depression spreads overseas.
- In the US domestic market, durable goods sales are declining by 22% (BBC, Feb. 27, 2009).
- Residential investments fell by 23.6% and business investment was down 19.1%, led by a 27.8% drop in equipment and software.

The rising tide of depression is driven by private business led disinvestment. Rising business inventories, declining investment, bankruptcies, foreclosures, insolvent banks, massive accumulative losses, restricted access to credit, falling asset values and a 20% reduction in household wealth (over 3 trillion dollars) are cause and consequence of the depression. As a result of collapse of the industrial, mining, real estate and trade sectors, there are at least \$2.2 trillion USD of “toxic” (defaulting) bank debt worldwide, far beyond the bailout funds allocated by the White House in October 2008 and February and March 2009.

The depression is diminishing the worldwide economic presence of imperial countries and undermining the foreign capital-financed export strategies of Latin American, Eastern European, Asian and African regions.

Among almost all conventional economists, pundits, investment advisors and various and sundry experts and economic historians, there is a common faith that “in the long-run”, the stock market will recover, the recession will end and the government will withdraw from the economy. Fixed on notions of past cyclical patterns, historical ‘trends’, these analysts lose sight of the present realities which have no precedent: the world nature of the economic depression, the unprecedented speed of the fall, and the levels of debt incurred by governments to sustain insolvent banks and industries and the unprecedented public deficits, which will drain resources for many generations to come.

The academic prophets of ‘long-term developments’ arbitrarily select trend markers from the past, which were established on the basis of a political-economic context radically different from today. The idle chatter of ‘post crisis’ economists overlooks the open-ended and constantly shifting parameters therefore missing the true ‘trend markers’ of the current depression. As one analyst noted, “any starting conditions we select in the historical data cannot replicate the starting conditions at any other moment because the preceding events in the two cases are never identical” (Financial Times, Feb. 26, 2009; p24). The current US depression takes place in the context of a de-industrialized economy, an insolvent financial system, record fiscal deficits, record trade deficits, unprecedented public debt, multi-trillion dollar foreign debt and well over \$800 billion dollars committed in military expenditures for several ongoing wars and occupations. All of these variables defy the contexts in which previous depressions occurred. Nothing in previous contexts leading up to a crisis of capitalism resembles the present situation. The present configuration of economic, political and social structures of capitalism include astronomical levels of state pillage of the public treasury in order to prop up insolvent banks and factories, involving unprecedented transfers of income from wage and salaried taxpayers to non-productive ‘rent earners’ and to failed industrial capitalists, dividend collectors and creditors. The rate and levels of appropriation and reduction of savings, pensions and health plans, all without any compensation, has led to the most rapid and widespread reduction of living standards and mass impoverishment in recent US history.

Never in the history of capitalism has a deep economic crisis occurred without any alternative socialist movement, party or state present to pose an alternative. Never have states and regimes been under such absolute control by the capitalist class -- especially in the allocation of public resources. Never in the history of an economic depression has so much of government expenditures been so one-sidedly directed towards compensating a failed capitalist class with so little going to wage and salaried workers.

The Obama regime’s economic appointments and policies clearly reflect the total control by the capitalist class over state expenditures and economic planning.

Obama and the Capitalist Crisis: A Class Analysis

The programs put forth by the US and West Europeans and other capitalist regions do not even begin to recognize the structural bases of the depression.

First, Obama is allocating \$1 trillion dollars to buy worthless bank assets and over 40% of his \$787 billion stimulus package to insolvent banks and tax breaks, rather than to the productive sector, in order to save stock and bond holders, while over 600,000 workers lose their jobs monthly.

Secondly, the Obama regime is channeling over \$800 billion dollars to fund the wars in Iraq and Afghanistan to sustain military-driven empire building. This constitutes a massive transfer of public funds from the civilian economy to the military sector forcing tens of thousands of unemployed young people to enlist in the military (Boston Globe, March 1, 2009).

Thirdly, Obama's commission to oversee the "restructuring" of the US auto industry has backed their plans to close scores of factories, eliminate company-financed health plans for retirees and force tens of thousands of workers to accept brutal reductions in employee health care and pensions. The entire burden for returning the privately owned auto industry to profits is placed on the shoulders of the wage, salaried and retired workers, and the US taxpayers.

The entire economic strategy of the Obama regime is to save the bondholders by pouring endless trillions of dollars into insolvent corporations and buying the worthless debts and failed assets of financial enterprises. At the same time his regime avoids any direct state investments in publicly owned productive enterprises, which would provide employment for the 10 million unemployed workers. While Obama's budget allocates over 40% to military expenditures and debt payments, 1 out of every 10 Americans have been evicted from their homes, the number of Americans without jobs is rising to double digits, and the number of Americans on 'food stamps' to provide basic food needs is rising by the millions throughout 2009.

Obama's 'job creation' scheme channels billions toward the privately owned telecommunication, construction, environmental and energy corporations, where the bulk of the government funds go to senior management and staff and provide profits to stock holders, while a lesser part will go to wage workers. Moreover, the bulk of the unemployed workers in the manufacturing and service areas are not remotely employable in the 'recipient' sectors. Only a fraction of the 'stimulus package' will be allocated in 2009. Its purpose and impact will be to sustain the income of the financial and industrial ruling class and to postpone their long-overdue demise. Its effect will be to heighten the socioeconomic inequalities between the ruling class and the wage and salaried workers. The tax increases on the rich are incremental, while the massive debts resulting from the fiscal deficits are imposed on present and future wage and salaried taxpayers.

Obama's wholehearted embrace and promotion of military-driven empire building even in the midst of record-breaking budget deficits, huge trade deficits and an advancing depression defines a militarist without peer in modern history. Despite promises to the contrary, the military budget for 2009-2010 exceeds the Bush Administration by at least

4%. The numbers of US military forces will increase by several hundred thousands. The number of US troops in Iraq will remain close to its peak and increase by tens of thousands in Afghanistan, at least through 2009 (despite promises to the contrary). US-based military air and ground attacks in Pakistan have multiplied geometrically. Obama's top foreign policy appointees in the State Department, Pentagon, Treasury and the National Security Council, especially in any capacity involving the Middle East, are predominantly militarist Zionists with a long history of advocacy of war against Iran and with close ties with the Israeli high command.

In summary, the highest priorities of the Obama regime are evidenced by his allocation of financial and material resources, his appointments of top economic and foreign policy-makers and in terms of which classes benefit and which lose under his administration. Obama's policies demonstrate that his regime is totally committed to saving the capitalist class and the US empire. To do so, he is willing to sacrifice the most basic immediate needs and future interests, as well as the living standards, of the vast majority of working and home-owning Americans who are most directly affected by the domestic economic depression. Obama has increased the scope of military-driven empire building and enhanced the power position of the pro-Israeli warmongers in his administration. Obama's 'economic recovery' and military escalation strategies are financially and fiscally incompatible; the cost of one undermines the impact of the other and leaves a tremendous hole in any efforts to counteract the collapse of social services, rising home foreclosures, business bankruptcies and massive layoffs.

The horizontal transfers of public wealth from the Obama governing elite to the economic ruling class does not "trickle down" into jobs, credit and social services. Attempting to turn insolvent banks into credit-lending, profitable enterprises is an oxymoron. The central dilemma for Obama is how to create conditions to restore profitability to the failed sectors of the existing US economy.

There are several fundamental problems with his strategy:

First, the US economic structure, which once generated employment, profits and growth, no longer exists. It has been dismantled in the course of diverting capital overseas and into financial instruments and other non-productive economic sectors.

Secondly, the Obama 'stimulus' policies reinforce the financial stranglehold over the economy by channeling great resources to that sector instead of 'rebalancing' the economy toward the productive sector. Even within the 'productive sector' state resources are directed toward subsidizing capitalist elites who have demonstrated their incapacity to generate sustained employment, foster market competitiveness and innovate in line with consumer preferences and interests.

Thirdly, the Obama economic strategy of 'top-down' recovery squanders most of its impact in subsidizing failed capitalists instead of raising working class income by doubling the minimum wage and unemployment benefits, which is the only real basis for increasing demand and stimulating economic recovery. Given the declining living standards resulting from domestic decay and the expansion of military-driven empire, both embedded in the institutional foundation of the state, there are no chances for the kind of structural transformation that can reverse the 'top-down', empire-absorbing policies promoted by the Obama regime.

Recovery from the deepening depression does not reside in running a multi-trillion dollar printing operation, which only creates conditions for hyperinflation and the debasement of the dollar. The root cause is the over-accumulation of capital resulting from over-exploitation of labor, leading to rising rates of profit and the collapse of demand. The vast disparity between capital expansion and decline of worker consumption set the stage for the financial bubble.

The ‘rebalancing’ of the economy means creating demand (not from an utterly prostrate private productive sector or an insolvent financial system) via direct state ownership and long-term, large-scale investment in the production of goods and social services. The entire speculative ‘superstructure’, which grew to enormous proportions by feeding off of the value created by labor, multiplied itself in a myriad of ‘paper instruments’ divorced from any use value. The entire paper economy needs to be dismantled in order to free the productive forces from the shackles and constraints of unproductive capitalists and their entourage. A vast re-training program needs to be established to convert stockbrokers into engineers and productive workers. The reconstruction of the domestic market and the invention and the application of innovations to raise productivity require the massive dismantling of the worldwide empire. Costly and unproductive military bases, the essential elements for military-driven empire building, should be closed and replaced by overseas trade networks, markets, and economic transactions linked to producers operating out of their home markets. Reversing domestic decay requires the end of empire and the construction of a democratic socialist republic. Fundamental to the dismantling of empire is the end of political alliances with overseas militarist powers, in particular with the state of Israel and uprooting its entire domestic power configuration, which undermine efforts to create an open democratic society serving the interests of the American people.

Regional Impact of the Global Crisis

The worldwide depression has both common and different causes, affected by the interconnections between economies and specific socio-economic structures. At the most general-global level the rising rate of profits and the over-accumulation of capital leading to the financial-real estate-speculative frenzy and crash affected most countries either directly or indirectly. At the same time, while all regional economies suffered the consequences of the onset of the depression, regions were situated in the world economy differently and subsequently the effects varied substantially.

Latin America

Brazil with its free market policies in disarray and huge class divisions undermining any domestic recovery, its high velocity fall in exports and industrial production is heading toward a deep recession despite the boasts and claims of Wall Street and the White House favorite, President Lula da Silva.

In January 2009, industrial production fell 17.2% year to year. Gross domestic product contracted 3.6% in the last quarter of 2008 (Financial Times, March 11, 2009). All indications are that negative growth will persist and deepen during the rest of 2009. Foreign direct investment and export markets, the driving forces of past growth are in

sharp retrenchment. Lula's privatization policies have led to extensive foreign takeover of the financial sector, which has transmitted the crises from the US and EU. His 'globalization' policies increase Brazil's vulnerability to the collapse of foreign trade. Capital flows are strongly negative. Hundreds of thousands of workers lost their jobs between December 2008 and April 2009. The 5 million impoverished landless rural workers and the 10 million families living on a one dollar a day food-basket handout from the government are excluded from effective domestic demand as are the tens of millions of minimum wage workers living on \$250 dollars a month. The purchasing power of highly indebted family farmers is no substitute for shrinking external demand. All sectors, rural and urban, of the capitalist class are freezing new investments as private credit evaporates, overseas investors flee and local consumer spending declines in the face of the deepening recession. Lula's claims of 'decoupling' and his growth projections of 4% are seen as 'seeding illusions' to cover up the onset of a severe economic recession. Lula's blind support for globalization and the 'free market' is a central determinant of Brazil's deepening recession.

Brazil descent into negative GDP is the pattern throughout the region. Argentina is headed for minus 2% growth, Mexico -minus 3% and Chile 0% or less. Central America and the Caribbean, which are highly 'integrated' with the US and world economy are experiencing the full force of the world depression in skyrocketing unemployment resulting from the collapse of tourism, declining demand for primary commodities and a serious drop in remittances from overseas workers. There will be a sharp rise in extreme poverty, crime and a potential for popular social upheavals against the incumbent right and center-left governments.

The spread of imperial capital throughout the world, dubbed 'globalization' by its defenders (and imperialism by its critics), led to the rapid spread of the financial crisis and breakdown among those countries most closely linked to the US and European financial circuits. Globalization tied Latin American economies to world markets, at the expense of domestic markets, and increased their vulnerability to the vertical fall in demand, prices and credit witnessed today. Globalization, which earlier promoted the inflow of capital, now, with the onset of the depression, facilitates massive capital outflow. US, which is absorbing 70% of the world's savings in its desperate effort to borrow and finance its monstrous trade and budget deficits, has squeezed out its Latin American trading partners from the global credit market. The depression demonstrates with crystal clarity the pitfalls of imperial-centered globalization and the stark absence of any remedies for its collaborators in Latin America. The disintegration of the imperial-centered global economy is evident amidst rising protectionism and billions of dollars in state subsidies to prop up the imperial states' own capitalists in the banking, insurance, real estate and manufacturing sectors. The world depression not only reveals the intrinsic fault lines of the globalized economy, but ensures its ultimate demise into a multiplicity of competing units: nations, each depending on their own treasuries and state sectors to pull them out of the deepening depression at the expense of their former partners. The world depression is spurring the return of the nation-state, as 'de-globalization' accelerates.

Parallel and intimately related to the demise of the world market is the rise of the capitalist state as the center-piece for salvaging the national treasury and exacting an

exorbitant tribute from the pension, health and wage funds of billions of workers, pensioners and tax-payers. Growing 'state capitalism' in times of capitalist collapse only emerges to '*save the capitalist system from capitalist failures*' as its promoters argue. In order to do so it exploits the collective wealth of the entire people. '*Nationalization*' or '*statification*' of insolvent banks and industries is the culmination of predator capitalism. Instead of individual enterprises or even sectoral exploitation of wage and salaried workers, it is the capitalist state that preys on the entire class of the producers of wealth.

Latin America's options revolve around recognizing and accepting that globalization is dead, that only under popular democratic control can nationalization serve to generate wealth and create employment, instead of serving to channel and redistribute resources upward and outward to the failed, bankrupt capitalist class.

Eastern Europe and the ex-communist countries

The conversion from communism to capitalism in Eastern Europe followed a process of privatization, in many cases based on widespread pillage, the illegal seizures of public resources and the precipitous fall in domestic living standards and production during the first half of the 1990's. Taking advantage of cheap labor, easy access to lucrative opportunities in all economic sectors, Western European and US capitalists took control of the manufacturing, mining, financial and communication sectors. At the same time as the barriers between East and West fell, there was a massive flow of skilled workers to Western Europe. The economic recovery and subsequent growth in Eastern Europe and the ex-communist countries was based on its dependency on the expansion of investment and credit from Western capitalism: The relocation of manufacturing, the influx of speculative capital in finance and real estate, the access to expanding Western markets and especially debt financing of consumer expenditures spurred Eastern growth. As a consequence, the region has been hit from two sides during the economic crisis: A collapse engendered by unsustainable internal speculation and the impact of its dependency on a depressed Western Europe for capital, credit and markets. The capitalist economies of the Baltic States, Eastern Europe and Russia collapsed rapidly. As Western European credit markets shriveled and large-scale multi-national disinvestment set in, the local currencies were devalued and overseas markets disappeared. The entire pattern of 'dependent development' rooted in the disarticulation of local markets and inflows of capital undermined local efforts to counter the collapse. Their only choice was to seek massive infusions of financial aid from the IMF and banks on onerous terms, which limited options for any national fiscal stimulus plans.

The regions linkages with world markets, based on subordinate-dependent relations with Western capitalists, meant that first they lacked the internal markets and capital to cushion the fall and, secondly, that the drying up of external flows would deepen and extend the depression. From the Baltic to the Balkan states, from Eastern Europe to Russia the full force of the depression has led to large-scale, long-term unemployment, widespread bankruptcies of local satellite and subsidiary industries, services and banks. Popular movements have emerged calling into question the free market policies of governments, and, in some cases, rejecting the export-dependent capitalist model.

Asia: The End of the Illusions of De-coupling and Autonomous Growth

The Great Depression of 2009 has adversely affected every economy in Asia, dependent on the international, financial and commodity markets. Even the most dynamic countries, like Japan, China, India, South Korea, Taiwan and Vietnam have not escaped the consequences of drastic declines in trade, employment, investment and living standards. Two decades of dynamic expansion, high growth and rising profit margins, based on export markets and intense exploitation of labor, led to the over-accumulation of capital. Many Asian and Western pundits argued for a ‘new world order’, led and directed by the emerging Asian economic powers, especially China, where power would be increasingly based on their ‘regional autonomy’. In reality, China’s dynamic industrial growth was deeply embedded in a world commodity chain in which advanced industrial countries, like Germany, Japan, Taiwan and South Korea, provided precision tools, machinery and parts to China for assembly and subsequent export to US, European and Asian markets. ‘Decoupling’ was a myth.

Export-driven growth was fueled by savage exploitation of labor, the dismantling of vast areas of social services (namely free health care, pensions, subsidized food and lodging and education) and the vast concentration of wealth in a tiny elite of newly rich billionaires (Economic and Political Weekly – Mumbai, December 27, 2008 page 27-102). China and the rest of Asia’s growth was based on the contradiction between the dynamic expansion of the forces of production and the increasing polarization of the class relations of production. The high rates of profit led to the over-accumulation of capital – high rates of investment – leading into huge budget and trade surpluses, which spilled over into the financial sectors, overseas expansion (or money-laundering) and real estate speculation.

Asia’s economic edifice was precariously situated on the backs of hundreds of millions of laborers with virtually no consumer power and an increasing dependence on overseas export markets. The world crisis especially deflated the export markets, exposing the Asian economies’ vulnerabilities and causing a massive fall in trade, production and massive growth in unemployment. China and the other Asian countries’ efforts to counteract the collapse of the export markets by massive injections of public capital to stimulate financial liquidity and infrastructure development has been insufficient to stem the growth of unemployment and the bankruptcy of millions of export-linked enterprises.

The Asian capitalist class and its government elite are entirely incapable of ‘restructuring’ the economy and social structure toward substituting domestic demand as the external market collapses. To do so would mean several profound transformations in the class structure. These include the shift from investments based on high profitability toward low margin productive and social services for the hundreds of millions of low-income workers and peasants. It would require the transfer of capital from private real estate, stock markets and overseas bond purchases (like US Treasury Notes) to finance universal health care, education and pensions and the restoration of land to productive use rather than to dispossession and real estate speculation.

The entire dynamic growth of Asia, built around capital concentration, high profits and low wages, is trying to survive based on deepening the impoverishment of labor via massive firing of workers, huge reverse flows of migrant labor back to the devastated countryside and the growth of the surplus labor force. The expulsion of labor, the usual capitalist solution, merely re-located and intensifies the contradiction – heightening the conflict between urban-based industrial/finance capital and hundreds of millions of impoverished, unemployed and underemployed workers and peasants. The state’s injections of capital to stimulate the economy passes through the ‘filter’ of regional state elites and the capitalist class, which absorbs and uses the bulk of this capital to buttress faltering enterprises – with negligible impact on the mass of unemployed workers.

Private ownership and capitalist control over the state precludes the kind of social transformation, which can restart growth by expanding the domestic economy.

China’s ‘engine of growth-in-reverse’ has, by necessity, undermined its trading partners who depend on industrial and raw material exports to China. The collapse of demand from its Euro-American markets undermines the entire architecture of China’s export industries. The savage exploitation of labor and the power of China’s new bourgeoisie ensure that there are limited possibilities for any revival of domestic demand from the ‘interior’.

China’s economic recovery is dependent on a new socialist transformation, which makes mass domestic demand the real engine of growth.

The Middle East: Depression and Regional Wars

The key to the crisis and breakdown of the Middle East is rooted in the imperial-Zionist regional wars and the collapse of commodity prices.

The oil producing countries accumulated vast ‘rents’, which they re-cycled into large-scale finance, real estate and military purchases in and out of the region. Profits concentrated in the hands of billionaire absolutist rulers led to highly polarized class relationships: super-wealthy rentiers and low-paid immigrant laborers limited the size and scope of the domestic markets. To break out of the crisis of over-accumulation and falling profits, the ruling elites adopted two strategies that temporarily avoided the crisis: Dependence on large-scale export of capital to rent, interest and dividend-yielding sites throughout the world – first to the US and Europe and later to Asia and Africa. The second strategy was to recycle profits into pharaonic real estate, tourist and banking centers in the Gulf States...leading to an enormous real estate bubble.

The collapse of the Middle East ‘rentier (or non-productive) oligarchies’ was detonated by the frenzied commodity oil boom, between 2004-2008, which heightened the process of over-accumulation – and the over-extension of debt and labor importation. The result was the onset of a regional economic crisis, in which budget and trade surpluses are replaced by mounting deficits. At no point did the Middle East economies diversify from their foundation based on ‘rents’ and create a diversified economy centered on production and the creation of a dynamic mass-based regional market. The

rentier ruling classes face a growing mass of unemployed immigrant and domestic workers, the massive flight of thousands of expatriate European financiers, real estate professionals and other non-productive hangers-on.

No longer the beneficiaries of the petro-dollar boom – as prices, profits and rents collapsed - and no longer the powerful bankers and holders of debt, the Gulf Arab ruling class has few external and internal resources and outlets to project a ‘recovery program.’

Worse still, in the midst of this emerging economic collapse, the militarist state of Israel serves as a regional destabilizing force projecting its power and colonial ambitions throughout the region. Through one of world history’s most unique configuration of power, the economically insignificant state of Israel, operating through the activity of several tens of thousands of strategically-placed, highly organized, disciplined and ideologically committed loyalists in the Diaspora, control key levels of political power in the US government.

The Obama Regime, Zionist Power Configuration and the Middle East

In the worst economic crisis since the 1930’s ‘Great Depression’ and facing a *\$1.7 Trillion Dollar budget deficit* and over 8.1 million unemployed workers in March 2009 (BBC News, March 6, 2009), numbers, which are expected to double by the end of the year, the Obama Administration has increased the open and hidden military expenditures to \$800 billion-plus dollars, a 4% increase over the previous war-mongering regime of George W. Bush. The key target of US military expansion is the Middle East and South Asia, with a population that includes hundreds of millions of mostly Muslims, who are pro-Palestinian, oppose the colonial policies of Israel and the current US military occupation of Muslim countries in the region. The driving force behind US militarism in the Middle East is found in the Zionist/Jewish officials and advisers occupying strategic government positions. They are aided and encouraged by a multiplicity of major American Jewish political action and ‘civic’ organizations, an army of editors, academics, publishers, journalists and propagandists embedded in all the mass media who systematically promote the interests of the state of Israel.

A careful analysis of the Obama regime demonstrates the high level of Zionist penetration and provides an empirical basis for understanding US military escalation in the Middle East, despite the catastrophic condition of the domestic economy. Fighting Israel’s crusades against the Muslims takes precedence over the mass impoverishment of the US population. Nothing speaks to the overweening stranglehold of the Zionist Power Configuration (ZPC) than their ability to escalate a war agenda in the Middle East over the needs of 350 million Americans, the bankruptcy of its 500 Blue Chip corporations and its 5 leading banks, not to mention the over 50 million working Americans without access to health care.

Israel/Zionist Power Configuration and Regional Wars

The Israeli-Zionist stranglehold over Obama’s foreign policy, especially with regard to Middle East issues affecting Israel’s hegemonic ambitions, is evident in the run-

up to his taking office and in the first months of power. An empirical survey of major Israeli positions and actions and the Obama regime's response demonstrates the power of the US Zionist power configuration:

1. Israel's savage invasion of Gaza, slaughtering well over a thousand civilians, mostly women and children and destroying a large proportion of the civilian infrastructure, as well as the brutal starvation blockade of the entire imprisoned population of over 1.5 million and the US response is a case in point. Obama's regime and the entire Democratic Party leadership wholeheartedly endorsed the ongoing slaughter and refused to hold the military and civilian leadership of Israel to a minimal level of responsibility for its crimes. It refused to call for an end to the murderous Israeli land and sea blockade, which prevented the entry of basic foodstuffs, like rice, and critical items for any reconstruction. The Israeli leadership arrogantly dismissed US Secretary of State Clinton's suggestion for a minor easing up of the blockade, without the least response from Obama. Israel's continued military attacks on the people of Gaza have been supported by the Obama-Clinton-Gates regime.
2. Israel's expansion of its illegal settlements in the occupied West Bank and the massive expropriation of homes and property in Arab East Jerusalem, as well as the ongoing destruction of Palestinian homes is another case. The US has merely reiterated its position for a 'two-state' solution.' Clinton's earlier very mild questioning of the expansion of colonial settlements in Israeli-occupied land met with the same dismissal from the Jewish State with no consequences to US-Israeli relation.
3. Israel condemned the international anti-racist conference in Durban, South Africa because of its critique of Israeli-Zionism as a brutal form of racism. When a sector of the Obama regime proposed sending an American delegation to the preparatory meeting to discuss the agenda, the ZPC immediately mobilized its activists and Obama capitulated. The US and several other European states withdrew their participants and condemned the Durban meeting as 'anti-Semitic', all parroting the Israeli position.
4. Israel and its American followers insisted that Obama appoint leading Zionists as his closest advisers and policymakers in strategic positions dealing with US negotiations with Syria and Iran, to ensure that the Israeli state's own position was pursued. To this end they scuppered the announced appointment of retired Marine General Anthony Zinni because of his known independence from Israeli dictates. The grotesque casting aside of General Zinni and the Administration's appointment of Israel's most 'loyal' US-Middle East agent, Dennis Ross, as US 'negotiator' with Iran, means that the Israeli war agenda of blockading and attacking Iran will dominate any decisions. Ross, also known as 'Israel's lawyer' is highly distrusted by the governments of the Middle East and Iran because of his past position as a blatant partisan of Israel under the previous Clinton administration. Even the fact that Ross had been working for an Israeli think-tank directed and funded by the Israeli government, and which made him an un-declared agent of the Jewish state,

did not deter his appointment. Among the group of Zionists who inhabit the foreign polity apparatus of the Obama regime, Secretary of State Clinton has appointed Jeffery Feltman, Acting Secretary of State for Near East Affairs and Daniel Shapiro of the White House's National Security Council to head up negotiations with Syria ([BBC News](#), March 7, 2009). Appointments of Zionists to top negotiating positions will ensure that very few moves necessary for reciprocal exchanges and concessions, which might conflict with Israel's hegemonic regional ambitions, will ever happen under Obama. The Obama regime's appointment of prominent pro-Israel Zionists and well known non-Jewish Israel-Firsters to all major policy and analysis positions, with the fleeting exception of Charles Freeman to head the National Intelligence Council (see below) – guarantees that US-Middle East policy will continue to be formulated in Tel Aviv.

5. Israeli policy in the Middle East has two vectors:
 - a. leverage its agents leading the 51 Major Jewish American Organizations to shape US policy toward militarily destroying Israel's adversaries (like Iran), providing diplomatic and propaganda cover and military aid in its invasions and attacks on Syria, Lebanon and occupied Palestine (Gaza/West Bank), authoring and pursuing economic sanctions – amounting to deliberate acts of war – against Israel's targets including Iran, Hamas, Hezbollah, Sudan and Somalia.
 - b. Dividing and conquering its adversaries via negotiations and diplomatic feints. In recent years, Israel, with US backing, has successfully split the Lebanese (the Beirut elite versus Hezbollah), Palestinians (PLO/PA versus Hamas), Iraqi (Kurds versus Arabs), Sudanese (Darfur secessionists versus Khartoum) and, not least of all, in the US (Israel-Firster elites versus the American people).

Unable to precipitate an American air strike against Iran or its collaboration with an Israeli first-strike, the Israeli government, directly and via its US supporters, has promoted a new policy, which involves a break-up of the Syria-Iran alliance. The Obama-Clinton regime, following Israel's lead, has proceeded to talks with Damascus. The purpose of the US negotiators is to offer greater diplomatic recognition and economic concessions to Syria, in exchange for a Syrian break with Iran, Hezbollah and Hamas. To ensure that Israeli interests would be defended and no territorial concession (like Israel's illegal colonial occupation of Syrian territory in the Golan Heights) would be addressed, the Obama regime appointed two prominent US Zionists, Feltman and Shapiro, to conduct the US 'negotiations'. The Syrian diplomatic gambit, intermittently pursued 'covertly' by Israel, and now taken up by its US protégé, Secretary Clinton, has thus far failed – because of Israel's unwillingness to make any territorial concessions in the face of its colonial settlers' political power and its inability to open Western trade and investment opportunities. The Obama regime will pursue Israel's goals of

‘neutralizing’ Syria as a political base of support for Hamas leaders and a logistical link between Iran and Hezbollah in Southern Lebanon.

6. The centerpiece for the most sustained large-scale political, mass media and military campaign, involving all the major Jewish organizations, Zionist lobbies, front groups, legislators and top official in the government has been and continues to be the weakening and destruction of Iran. The opposition to the Zionist power configuration’s confrontational policy is located in sectors of the government – including the intelligence services, the US military, career officials in the State Department and many former top officials. The Zionists have succeeded beyond their wildest dreams. The right-wing Zionist David Frum, (who wrote the most bellicose speeches for the former President Bush and included Iran as a leading member of the ‘Axis of Evil’), and fanatical Zionist Treasury official Stuart Levey have been and continue to be in the forefront of those enforcing and extending the economic sanctions and secondary boycotts against Iranian banking, trading and investment. Every aspect of US policy and legislation pertaining to Iran is closely overseen and often formulated by the Jewish pro-Israel lobby. As a result, efforts by US policy makers seeking to reach agreements with Iran on matters of strategic interest have been sabotaged exclusively by the Israel Firsters. The following is a case in point.
 - a. Right after September 11, 2001, Iran supported the US attack on the Taliban and played an important role in stabilizing the eastern half of Afghanistan, especially Herat; it supported the overthrow of Saddam Hussein, even as it opposed any long-term US military occupation of Iraq. Influential Zionist agents, inside and outside the Bush regime, rejected and effectively blocked any consideration in Washington of Iran’s offer for a mutual-security agreement. Despite statements from elements in the US military high command recognizing Iran’s critical role in facilitating the US invasions of Afghanistan and Iraq, there was not a single reciprocal concession offered to Iran. Instead, the entire Zionist ‘State’ within the US State launched a series of punitive measures, echoing Israeli hostility to Iran, including the setting up and training of cross-border death squads to murder Iranian officials on both the Iraqi and Afghan-Pakistani borders. Israel called for harsh sanctions: the AIPAC authored legislation for severe sanctions and their puppets in the Congress co-signed and secured Congressional approval. Zionists in the Treasury implemented the measures and Israel-First officials in the US State Department pressured European governments to do the same. The Israeli regime, through its worldwide network launched a successful campaign against Iran’s entirely legal and closely monitored nuclear energy program. The hysterical Zionist propaganda campaign was pursued with an intensity, which surpassed even its earlier aggressive blitz against Iraq. The entire Jewish-Zionist apparatus was hell bent on putting the US on a path toward another Middle East war by conflating Iran’s long-stated opposition to Israeli colonial massacres against the Palestinians and

Lebanese with a threat to the very survival of the Jewish state and the security of US against an Iranian nuclear attack.

- b. Sixteen US intelligence agencies published a report in November 2007 - the National Intelligence Estimate on Iran, which carefully and systematically refuted Israeli and Zionist charges against Iran's nuclear power program. The report completely dismissed any allegation of ongoing, let alone advanced, Iranian nuclear weapon development. In response to the 'heresy' of the US intelligence establishment, the Zionist power configuration went into overdrive and, by the time of Obama's election, had managed to convince the incoming administration into accepting Israeli fabrications on Iran's 'nuclear threat' and created their own 'revised' National Intelligence Estimate (NIE) to fit their policy goals.
 - c. The Obama regime, facing an unsuccessful counter insurgency war in Afghanistan has, once again had to turn to Iran for support. To ensure that no meaningful negotiations involving reciprocal concessions take place, the lobby secured the appointment of pro-Israel fanatic Dennis Ross to head the team. In the summer of 2007, Ross co-authored an extraordinary 'policy' report on Iran, which advocated the harshest sanctions, including a total naval blockade, escalating into a land and air embargo and inevitable military attack. Under Zionist tutelage Obama extended severe economic sanctions against Iran on February 2009, ensuring that his highly publicized offer in March 2009 to open a new chapter in US-Iranian relations would not be taken seriously by Tehran (Financial Times, March 23, 2009). Whatever takes place (if anything) pro-forma between the US and Iran will automatically be conveyed, filtered, censored and subject for final Israeli approval.
7. Israel and its US policymakers and Congressional followers have been at the cutting edge of ferocious anti-Muslim and anti-Arab propaganda, 'diplomacy' and military aggression. The Obama regime reflects their pervasive influence. Despite the failed war in Afghanistan and increasing mass opposition in the region, despite a catastrophic domestic crisis, Obama has increased the military budget, increased the number of US troops (without any European support), and extended the war into Pakistani territory, with daily bombing of anti-US/ Pashtun villages in Pakistan. The ZPC and its Congressional delegation of fellow-travelers have blindsided millions of American citizens, especially Democrats, who voted for Obama as a 'peace candidate', and now face a prolonged large-scale presence of US troops in Iraq, an escalation in Afghanistan, US bombing inside Pakistan and US warships, aircraft carriers and nuclear submarines off the coast of Iran. Zionist power over-rode the entire US National Intelligence apparatus and the American voters on the issue of Iran and promises even greater confrontations with Dennis Ross in charge.
 8. Israel is forcibly evicting thousands of Palestinians, generations-long residents, from Jerusalem in their drive to 'Judeanize', ethnically cleanse and

annex the entire city, contrary to the demands of the European Union, world opinion, international law and any 'two-state solution' proposed by every US President, including Obama, in the last three decades (The Guardian (London), March 7, 2009). Jewish wrecking crews were actively bulldozing the homes of Palestinian families while Secretary of State Hilary Clinton pledged unconditional support for Israel and, in passing, commented that ethnic cleansing and evictions were 'not helpful' (ibid). Obama/Clinton blatantly ignore the strong objections made by the leaders of Muslim and Christian religious congregations, representing many hundreds of millions of faithful. The major American Jewish organizations and the entire Congressional Zionist leadership, including the uber-Israel Firster Senator Joseph Lieberman, enthusiastically back the Obama regime's endorsement of Israeli ethnic cleansing (Boston Globe, March 9, 2009).

9. Seeking total control over all possible or potential appointees who can enhance Israel's positions, the Zionist Power Configuration successfully launched a massive, slanderous national campaign to block the appointment of veteran US diplomatic and intelligence official, Charles Freeman, one of the few non-Zionist (or Gentile, for that matter) to the position of head of the National Intelligence Council. From the first moment that Zionist 'insiders' *leaked* the proposed appointment of Freeman, the ZPC launched a frontal attack: scurrilous articles were written attacking Freeman, a veteran officer who served successive US Administrations dating back to Richard Nixon, which were published in the major newspapers and magazines and broadcast by the main TV and radio programs. AIPAC approached its stable of Zionist Congress-people led by Congressman Eric Cantor to round up the usual herd of elected shills beholden to Zionist campaign financing. Ten US Representatives demanded that the Director of National Intelligence Inspector General, "*Fully investigate Mr. Freeman's past relationship with the Kingdom of Saudi Arabia and look into the contributors to the Middle East Policy Council (a Washington think-tank headed by Freeman)*" (Financial Times (London), March 7, 2009 p. 3). The entire Republican leadership led by the House 'whip' Cantor carried the ball for the ZPC in trashing Freeman and his supporters, who they also demanded be punished for their endorsement. Obama, faced with the Zionist onslaught, crumbled without even a whimper. "*The White House made no comment.*" (ibid) Zionist Power worked through both political parties. "*Steve Israel (appropriately named!), a Democrat on the House Select Intelligence Oversight Panel, wrote to Mr. Maguire (the Inspector General) about the seemingly prejudicial public statements made by the proposed NIC Chairman (Charles Freeman)*" (Financial Times, ibid). The 'prejudicial public statement' in question was Freeman's criticism of Israel's savage bombing of Lebanon during the summer of 2007 and their unending repression of Palestinians under their occupation. Not a single area of government, not a single appointment, escapes the censorious eye of the Jewish pro-Israeli power structure in the US and its stable of compliant non-Jewish members of Congress. The Zionist success in purging Freeman from the appointment to head the National Intelligence Council is an effort to avoid a repeat of the major intelligence

setback their anti-Iran propaganda in 2007. Back then sixteen US intelligence agencies published their National Intelligence Estimate on Iran's nuclear weapons program, completely undermining Israeli and US-ZPC claims that Iran was producing weapon-grade nuclear material and was 'months' away from producing a nuclear weapon. The NIE forced the ZPC to launch a furious assault on the findings and the professional intelligence agencies in order to sustain Israel's campaign to push the US into a war with Iran. The central purpose of the Zionist-led Congressional campaign against Freeman was to use the 'investigation' to harass and undermine his independent, professional expertise and advocacy of an 'even-handed' approach to the Middle East. By labeling him as pro-Arab, pro-Hamas (with the implication of links to terrorism) they forced the withdrawal of his appointment in favor of an official willing to manipulate intelligence to fit Israeli objectives.

The Culture of Calumny and the Degradation of Democratic Values

The ZPC's successful blacklisting and purge of Charles Freeman from his appointment as chairman of the National Intelligence Council illustrates the stranglehold that it has on all appointments within the US Government. The Freeman purge reveals the ZPC tactics and methods, its web of power among different branches of government and their links with the leading Zionist Jewish American organization. The purge highlights the fact that loyalty to the state of Israel has become a condition for holding any significant office in the US government and that, conversely, any candidate for high office, no matter what their qualifications, who has criticized Israeli policy, is automatically banished. The application of the loyalty oath to Israel, which occurred in the purge of Charles Freeman, is a clear act of intimidation directed against the entire US political class: Criticize Israel, in any context, and write off your career forever! The purge of Freeman has vast present and future consequences for US politics, public debate and democratic freedom in America.

As is almost always the case when any issue or political appointment of interest to the state of Israel arises in the US, AIPAC seizes the initiative. In the case of the Freeman Purge, once the Director of National Intelligence, Dennis Blair, announced his appointment of Charles Freeman, AIPAC circulated a 'dossier' of lies, slanders and fabrications about the man and his positions, centered on his criticism of specific Israeli actions, namely their brutality in Gaza and Lebanon and their violations of human rights. The Zionist-Jewish onslaught was led by (none-other-than) Steve Rosen, the long-time AIPAC hatchet man and indicted felon, currently on trial for espionage – handing over classified US documents related to Iran policy to Israeli government agents. Under AIPAC's promotion, a tsunami of articles and commentaries attacking Freeman appeared in the major media, painting him as an 'Arab tool', 'anti-Israel' and worse. Parallel to the media campaign, the leading Jewish-Zionist Senators Schumer and Leiberman and Representative Cantor launched a virulent campaign in Congress, even though his nomination did not require Congressional approval. Schumer ensured White House complicity in the purge through direct communication with White House Chief of Staff and fellow Zionist Rahm Emmanuel who likely passed on the 'line' to fellow Zionist Axelrod, Obama's chief adviser. Not a single official in the entire Obama regime at any

time voiced a single word in support of Blair's appointment of Freeman nor refute the lies and character assassination harangues by the likes of Lieberman, Schumer and their fellow travelers. Where the Obama regime was not openly complicit, the Zionist purge machinery cowed it into silent acquiescence.

The deep and insidious authoritarian and partisan character of the Zionist congressional leadership evident in the purge of Charles Freeman is consistent with Schumer and Lieberman's support for Michael Hayden as Obama's CIA Director, the key agent in implementing Bush's illegal domestic espionage program and their support for the ultra-Zionist Michael Mukasey as Bush's Attorney General, who condoned the use by American agents of water-torture on 'suspects'.

What is striking about the Zionist-led Congressional purge of Freeman is the fact that its leaders openly stated that they killed his nomination in order to stifle any criticism of Israeli policy. New York Senator Schumer said: *"Charles Freeman was the wrong guy for this position. His statements against Israel were way over the top and severely out of step with the administration. I repeatedly urged the White House to reject him and I am glad they (sic) did the right thing."* (quoted by Glen Greenwald in "Charles Freeman Fails the Loyalty Test", www.salon.com March 10, 2009)

The power and arrogance of the ZPC is such that Schumer openly boasted on how he brought the Director of National Intelligence, Dennis Blair to capitulate and force the resignation of his own appointee. In his widely published withdrawal statement, Freeman eloquently described the destructive power and operations of the Zionist Power Configuration:

"The libels on me and their easily traceable e-mail trails show conclusively that there is a powerful lobby determined to prevent any view other than its own from being aired."

"The tactics of the Israel lobby plumb the depths of dishonor and indecency and include character assassination, selective misquotation, the willful distortion of the record, the fabrication of falsehoods, and an utter disregard for the truth."

"The aim of this lobby is control of the policy process through the exercise of a veto over the appointment of people who dispute the wisdom of its views, the substitution of political correctness for analysis, and the exclusion of any and all options for decision by Americans and our government other than those that it favors." (quoted in [Aljazeera](http://www.aljazeera.com), March 10, 2009)

By purging Freeman, the ZPC is in a position to influence future US intelligence directors and ensure that their reports do not contradict Israeli 'intelligence', especially its fabrications about Iran's nuclear program. Schumer, Lieberman, AIPAC and the Presidents of the Major American Jewish Organizations have gained another vital lever of power in forcing US policy into a military confrontation with Iran in line with the dictates of Israel.

The power of the ZPC over the Obama regime has major consequences for US foreign policy, especially war policy in the Middle East and throughout the world where countries, regions, movements and people reject Israel's militarist-colonialist state and

racist Zionist ideology. The same politicians who ‘stand with Israel’ are also the ones who follow the line of military confrontation with Iran unless it capitulates to Israeli-US ultimatums to surrender their nuclear-energy policies and links to anti-colonial Muslim/Arab and other independent movements and governments.

‘Negotiations’ with Iran, Syria and Palestine, as proposed by Obama and with his Zionist appointees and the conditions, which they demand, are non-starters: They become automatic set-ups for resorting to a military confrontation, escalation of sanctions and for condoning Israeli land grabbing. The result is the Obama regime’s continued massive military build-up and expenditure in a time of catastrophic economic recession. The apparent irrationality of diverting scarce economic resources toward endless wars and military confrontations in which no US security interests are at stake can only be explained by the militarist interest of the state of Israel and the power of its US supporters to impose its definition of ‘security’ on the US government.

To empirically test our hypothesis about the scope and depth of the influence of the Zionist Power Configuration and its ability to subordinate Obama Administration’s policies to Israeli interest, we have examined 10 important issue areas. We stated Israeli positions and actions, particularly on vital issues of war and peace affecting US interests, key appointments and strategic relations. We have found that in almost all issue areas, the Israeli position was translated into US policy. This high level correlation in turn was explained by the intense activity of the Zionist Power Configuration and the high level of penetration of pro-Israeli functionaries of all relevant policy-making positions and their veto power over appointments exercised by the ZPC and its Congressional leaders.

The Zionist Power configuration

The Jewish Zionist Power Configuration (ZPC) openly organized and masterminded the withdrawal of veteran diplomat, Charles Freeman, from the leadership of the President’s National Intelligence Council. It is one of Israel’s biggest victories in its effort to control US foreign policy in the Middle East. The NIC is a worldwide apparatus, made up of 16 intelligence agencies with 100,000 employees and a \$50 billion dollar budget. It is the ‘brains’ and ‘hands’ collecting the most confidential and important information used to analyze and formulate US policy and in running the clandestine operations of the entire US global empire. By their brazen purge of the top choice of Obama’s Intelligence Chief Admiral Blair, the ZPC has announced to the entire US political establishment, its allies and enemies, that the next appointment must have their vetting and approval, which means loyalty to Israeli policies. Together with their dominant presence in the Executive branch, including the White House and the President’s closest advisers, their public display of total dominance over both houses of the legislature and their growing penetration into the civilian-military command in the Pentagon, their effective takeover of the top intelligence positions closes the circle of Zionist control, or better – stranglehold, over the entire US state. The result is the subordination of US national interests and policies to the militarist aims of Israel, including support for Israeli conquests and hegemony in the Middle East and elsewhere.

Zionists in Power

The ‘coincidence’ or correlation between Israel’s illegal, militarist policies and the Obama regime’s approval and compliance, even when it involves sacrificing electoral promises, national economic and security interests and world public opinion, can in large part be explained by the appointment of veteran Israel Firsters to decisive foreign policy and advisory positions. At the very center of the Obama regimes, in the most influential policy-making position is David Axelrod, Senior Adviser to the president, who was recently described in the New York Times as: “*carrying more weight than most anyone else on the president’s payroll...There are few words that come across the president’s lips that have not been blessed Mr. Axelrod. He reviews every speech, studies every major policy position and works...to prepare responses to the crisis of the day.*” (New York Times, March 9, 2009). Axelrod’s longtime friend and fellow Zionist, the White House Chief of Staff, Israeli-American Rahm Emmanuel, meet every morning to coordinate their agendas for the White House. The Zionist duet, the pizza-munching, herbal tea drinking Rasputins from Chicago, are the most direct and influential political Zionists ensuring the primacy of Israel’s interests in setting US-Middle East policy – from starving Gaza to attacking Iran. No doubt, Axelrod and Emmanuel had their ‘input’ on the Obama-Clinton appointment of fellow-Zionist Jeffery Feltman and Daniel Shapiro as chief negotiators with Syria (BBC, March 7, 2009). Their agenda, Israel’s priorities, are certain to preclude any comprehensive settlement. The Zionist White House duet was strikingly silent, as their fellow Zionists skewered Charles Freeman’s appointment to lead Obama’s National Intelligence Council and ignored Israel’s humiliation of Secretary of State Clinton during her visit to Israel when the Jewish state bulldozed the homes of Palestinian families in Arab East Jerusalem on the very day of her arrival, repudiating Obama’s ‘two-state’ solution.

With the advise and consent of Zionist chief economic adviser, Laurence Summers, the Obama regime appointed fellow Zionist and ex-Clintonite crony David Cohen to the top job of monitoring ‘terrorist financing’ (Financial Times, March 9, 2009 p.2). Cohen will be in a position to pursue several crucial tasks for the Israeli state, including persecuting any and all Muslim charities and Palestinian humanitarian organizations and pressuring US and overseas financial, export and investment funds to disinvest from Arab and Muslim countries critical of Israel. He can be expected to aggressively pressure European and Asian banks and exporters to cease trade and investment with Iran. While on paper a ‘*secondary appointment*’, in reality Cohen will play a key role in promoting the hard-line Israeli-Zionist economic sanctions against Iran and maintaining the blockade on Gaza. The head of Obama’s nuclear non-proliferation agency is Gary Samore, who clearly established his Israel-First credentials in a speech in Israel on December 18, 2008 when he declared that he favored bombing Iran if it failed to shut down its uranium enrichment program – a program, which is legal under the International Non-Proliferation Treaty (Financial Times, February 24, 2009 p. 9). On February 24, 2009 the Obama regime appointed Dennis Ross as special adviser to Hilary Clinton for the Gulf Region. Ross is one of Israel’s top operatives in the Washington political establishment with long-term working relations with Israeli and US policy institutes linked to Israeli military, intelligence and foreign policy establishment. In

November 2008, Ross signed off on a document advocating a military assault on Iran. Ross, as President Clinton's envoy to the Israel-Palestine negotiations, contributed to the break down by embracing Israel's non-negotiable positions and vilifying Yassar Arafat as the 'stumbling block'.

The Zionist power configuration dominate all the key foreign policy committees in Congress, either directly through Jewish Zionists or elected representative who are in tow via financial contributions or threats of electoral retaliation and mass media smear campaigns. In the first weeks in office, the Zionist political machine has successfully blocked initiatives by some Obama advisers to attend the Durban anti-racism conference, and has deflected criticism of Israel's starvation blockade against Gaza by two Congressmen who visited Gaza to view the destruction themselves. The ZPC has slandered and forced the withdrawal of Charles Freeman's nomination as chief of the Intelligence Advisory Committee. It has openly endorsed Israel's massive land grab in the West Bank and East Jerusalem. The Obama regime, in line with Israel, has effectively buried any pretence of peace negotiations with the Palestinians by shifting focus to a 'regional settlement/negotiations', in which Zionist envoys are directed to pressure Syria, Lebanon and Iran to isolate all Palestinian leaders who opposed Israel's annexation of their land and expulsion of people.

The ZPC's deep and extensive penetration of the Obama regime represents the greatest national security threat by a foreign-directed power since the founding of the American Republic. The scope and destructive consequences will be further detailed in the text (see: "Israel Asserting Middle East Supremacy: From Gaza to Tehran.").

The ZPC's power is manifested in the judicial branch and best illustrated in the spy trial of two prominent leaders of AIPAC - the principle pro-Israel 'lobby'. Steve Rosen and Keith Weissman. Both were arrested and indicted after they admittedly took classified US documents relating to US policy toward Iran and handed them over to an Israeli Mossad Intelligence operative assigned to the Israeli Embassy in Washington DC. The Federal Judge in the case, T.S, Ellis has made several rulings in favor of the spies – strengthening their contention that the act of handing classified documents to a foreign power is a 'common practice' in Washington and not espionage. The ZPC has been successful in mobilizing its entire mass media apparatus, Congressional followers and a broad swath of Jewish and Gentile progressives in defense of Rosen and Weissman in the name of 'freedom of expression' –perversely equating the stealing of classified official US documents relating to security matters and secretly passing them to an agent of a foreign government with investigative journalism's use of government sources. The numerous FBI arrests and quiet deportations of scores of Israeli spies without charge or trials, and the frequent complaint of former US officials that 'orders from above' blocked their prosecution attests to the power of highly placed Zionists or authorities under their control in securing impunity to Israeli-Jewish operative committing illegal and hostile acts against the security and economic interest of the United States. The presence of so many Zionists in positions of power in the Obama regime ensures that Israeli espionage operations in the US may now be suspended because Israel can obtain any documents or deliberations directly from officials in the Obama Administration. Even better Israelis can co-author some White House and US intelligence position papers themselves!

Zionists in power, means that the US empire will continue to energetically and aggressively pursue military confrontations and regional wars in the Middle East at the behest of Israel. At no point has the Zionist-dominated White House or Congress questioned the exorbitant costs of serving Israeli interests – even in the midst of a major economic depression. Virtually the entire major media establishment and all 51 Major American Jewish Organizations, which are pressing for blockades, sanctions and preemptive war against Iran, are free to ignore the tremendous loss and suffering that this diversion of billions of US tax dollars from domestic investment to wars for Israel has caused to the American people. Zionist control over White House Middle East policy ensures that the US will be mired in endless wars in the Persian Gulf and South Asia because Israel has an open-ended military agenda encompassing the entire region and an army of agents willing and able to impose this agenda on the American government.