

## GI SPECIAL 6C17:



[Thanks to NB, who sent this in.]

# “The World Financial System Is Out Of Control--And The Crisis Is Only Beginning” “It's A Self-Feeding Disaster”

Thus, while the Bush administration abandons victims of mortgage fraud to the fate of foreclosure, it has given a green light to Fed Chair Ben Bernanke to rescue Wall Street at any cost.

March 21, 2008 By Lee Sustar, Socialist Worker [Excerpts]

THE WORLD financial system is out of control--and the crisis is only beginning.

That's the growing consensus of economists, stockbrokers and bankers in the wake of the collapse of the investment bank Bear Stearns, the fifth-largest firm on Wall Street.

"We have all been talking about a 1970s-style crisis, but as each day goes by, this looks more like the 1930s," Michael Taylor of Lombard, the British economic consulting company, told the Independent newspaper.

"No one has any clue as to where this is going to end; it's a self-feeding disaster."

The U.S. stock market stabilized at the beginning of the week after the Federal Reserve Bank stepped in with an emergency bailout of Bear Stearns and arranged its takeover by rival J.P. Morgan Chase--at the price of just \$2 per share for a company that not long ago claimed a book value of \$80 per share.

As New York Times financial columnist Floyd Norris pointed out, it was the 11th step taken by the Fed since August to bail out the financial system, including cuts in interest rates and loans that make it easier for the banks to borrow money.

Despite the lower rates and expanded lending from the Fed, banks are reluctant to lend to one another, either because they need to preserve capital to absorb expected losses, or because they don't trust their counterparties to be able to repay them.

"The Fed can do no good at all if they effectively print money and give it to the banks, and the banks dig a hole in the ground and put it in there," Donald Brownstein, a hedge fund manager, told the New York Times.

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IF BEAR Stearns was the first Wall Street titan to fall, it's because it was among the most aggressive purveyors of mortgage-backed securities--financial instruments tied to the repayment of mortgages. When sub-prime mortgages began to go bad in mid-2007, Bear Stearns saw two of its hedge funds, or specialized investment vehicles, collapse.

Overall, the collapse in value of mortgage-backed securities has forced banks worldwide to write off more than \$150 billion in losses. As the Bear Stearns collapse portends, many more losses are still to come: the credit crisis has spilled beyond mortgages into virtually every corner of the credit market, from auto and student loans for consumers to obscure business-to-business markets.

For example, the so-called auction-rate securities market has ceased to function entirely. Once regarded as an investment so safe that it was like holding cash, the market allowed government agencies and not-for-profit institutions to borrow easily at low interest rates that were set in weekly auctions. But earlier this year, bids dried up, forcing interest rates up.

Hedge funds, the specialized investment vehicles for wealthy investors, have also been hit with huge losses. Carlyle Capital, a spinoff of the private investment fund the Carlyle Group, was unable to repay its creditors. Its assets were seized this month.

"The U.S. is at the receiving end of a massive margin call," wrote Liz Rappaport and Justin Lahart of the Wall Street Journal, using the term for when investors are required to put up cash or securities to cover money they had borrowed. "Across the economy, wary lenders are demanding that borrowers put up more collateral or sell assets to reduce debts."

It's that dynamic that took down Bear Stearns--its creditors essentially demanded that it pay off debts, and it didn't have the money to do it. The Fed agreed to accept Bear's radioactive mortgage-backed securities as collateral for an emergency loan made to the investment bank by J.P. Morgan.

If the securities decline in value, the Fed--and U.S. taxpayers--will take the loss, not J.P. Morgan.

In fact, a week before the Bear Stearns debacle, the Fed had already announced that it would accept mortgage-backed securities as collateral for special loans to banks--another way of pumping cash into the system, but in exchange for securities so troubled that they can't be sold on the open market.

**Thus, while the Bush administration abandons victims of mortgage fraud to the fate of foreclosure, it has given a green light to Fed Chair Ben Bernanke to rescue Wall Street at any cost.**

Those costs are likely to be heavy. Already, the Fed's repeated interest rate cuts have compelled international investors to sell dollars, driving the value of the currency to new lows against the euro and the Japanese yen. This is adding to the international financial instability.

**"In the credit market panic that began in August, we have now reached the point of maximum danger: A global run on the dollar that could become a rout," a Wall Street Journal editorial declared.**

"The Fed's main achievement so far has been to stir a global lack of confidence in the greenback. By every available indicator, investors are fleeing the dollar for other currencies and such traditional safe havens as gold and commodities. Oil has surged to \$110 a barrel, up from under \$70 as recently as September. Gold is above \$1,000 an ounce, up from \$700 in September, and food prices are soaring across the board...

New York Times business columnist Gretchen Morgenson also sounded the alarm. "What are the consequences of a world in which regulators rescue even the financial institutions whose recklessness and greed helped create the titanic credit mess we are in?" she wrote.

"Will the consequences be an even weaker currency, rampant inflation, a continuation of the slow bleed that we have witnessed at banks and brokerage firms for the past year?"

"Or all of the above? Stick around, because we'll soon find out. And it's not going to be pretty."

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IN FACT, it's plenty ugly already.

According to the Commerce Department, the U.S. economy slowed to a rate of 0.6 percent growth in the fourth quarter of 2007. The financial crisis will almost certainly restrict growth even further as debt-burdened businesses fail and even profitable companies cut back because of a lack of credit. Thus, the financial crisis will be a dead weight on the real economy as well.

**The government's February jobs report showed a loss of 63,000 jobs, the second consecutive month of decline and the third consecutive month of job losses in the private sector.**

While the unemployment rate is still relatively low at 4.8 percent, the overall figure doesn't reflect the rise in long-term joblessness and the fact that millions have dropped out of the active labor market because of poor job prospects.

Plus, real wages--pay after taking inflation into account--are dropping. "Inflation...driven up by higher energy prices, is growing about twice as fast as was the case one year ago," the Economic Policy Institute's Jared Bernstein noted.

"This combination has led to the dramatic shift in the buying power of workers' paychecks. A year ago, real hourly and weekly earnings grew on a yearly basis by over 2 percent; this January, they are both down by about 1 percent."

Further, because work hours are being cut due to the slowing economy, weekly paychecks are shrinking even faster, Bernstein noted.

To rising joblessness and declining wages, add the continuing negative impact of the housing crisis. According to the Federal Reserve, net household wealth declined by \$900 billion in the fourth quarter of 2007 due to falling house prices.

That decline in house prices also meant that--for the first time in history--homeowners' equity in their homes fell below 50 percent. Some 30 percent of all homes bought in 2005 and 2006 are now worth less than what their owners owe on their mortgages. The inevitable result is that the rate of foreclosures--already at a record 7.9 percent--will go even higher.

The Bush administration promises that the recent \$168 billion economic stimulus package will avert a recession. Behind the scenes, policymakers are thrashing about for a solution.

**While there is no coherent plan, some elements of a White House plan are coming into view: stick taxpayers with the cost of bailing out Wall Street, abandon millions of homeowners to foreclosure, cut real wages by allowing inflation to eat up workers' paychecks, and hope the tax rebates in the stimulus plan will keep the economy moving until things somehow get better.**

It's impossible to predict the depth and length of the recession.

But what is already clear is that the problems that it is creating go far beyond the policy proposals not only of the Bush administration, but the Democratic presidential candidates as well.

**MORE:**

***Just In Case You Disremember:  
GI SPECIAL July 29, 2007:***

***A Bankrupt Empire Hits  
The Wall:***

**“Today There Was Full-Blown  
Carnage”**

**“It’s Kind Of Like Catching A  
Falling Knife Right Now”**

**“A Fairly Disorderly And Hysterical  
Move”**

**Comment: T**

Contrary to absurd fantasies, crises that interrupt the operation of capitalism don't just go on day after day at the same or increasing levels of panic and collapse. There will be weeks ahead when everything seems quiet, and alarming news reports like the ones below fade away.

But as the contagion spreads through more and more realms of production, distribution and accumulation, dramatic upheavals become more frequent and severe; the interruption of the cycle of production, distribution and accumulation becomes more pronounced; and it becomes ever clearer to everyone in the society that a serious downturn has arrived, with falling production, cuts in employment, and intense downward pressure on wages.

**Occasional violent shocks -- the bankruptcy of some major corporation or financial institution -- grab headline attention transiently, but play out against the background of a slower, grinding attack on the standard of living of the working class as a whole.**

**And who better suited to preside over attacks on the standard of living of the American working class and use the government to impose discipline upon it than the Democratic Party?**

**And who less suited to do so than the Republican Party, too clearly identified with wealth and naked, crude corporate greed? The relatively few remaining political representatives of the American ruling class who still have enough intelligence to perceive reality know that.**

**Meanwhile, within a year or two, the want of ready money, called a credit crisis, will finally reach the debt instruments of the Imperial government itself.**

**Those who today look for safety from the violence shaking financial markets by buying U.S. treasury bonds and notes, the famous "flight to quality" reporters love to point to today, will come to regard those instruments as toxic waste, and wonder how they could ever have been so foolish as to seek safety in the worthless paper of a bankrupt Empire.**

**With that, the crisis matures into a crisis of confidence in the government and the class of capitalists the government was instituted, designed, and is operated to serve.**

**No, we have not been through this before.**

**Never before.**

**Certainly not during Vietnam, when the U.S. economy was still relatively stable, with substantial capital reserves and deriving some income from the Empire, rather than seeing the relative costs of the Empire pile up mountains of dollar denominated debt that can never be repaid short of a violent depreciation of the dollar sufficient to impoverish much of the population.**

**Never before in U.S. history has a major crisis in the sphere of economic relations, expressing both massive private and governmental bankruptcy, come at the same time as a failing Imperial war draining off what little national capital remains.**

**Those who babble mindlessly about a new world being possible had best appreciate that this indeed will be a new world, and it will not be pretty.**

**One question, of some importance, will be whether our troops will choose to serve the vast majority of Americans who are the working class of the United States, or will choose to serve the few on top who oppress, exploit, and torment us for their own benefit, and who preside over the hopelessly antiquated economic relations that bring on Imperial war abroad and economic disaster at home.**

**The answer to that question will depend, more or less, perhaps decisively, on what links we have forged with our class brothers and sisters in arms.**

**Now, not later.**

**Those who are willing to invest substantial amounts of time in forging those links, and see no greater priority in their lives, of necessity must find each other and begin the work.**

**A few who have made that commitment can accomplish infinitely more acting together in an organized way than an assortment more numerous who half-step their way lamely and hesitantly along because they have other priorities.**

**It has been said there is a world to win. There is also a world to lose, a more dangerous possibility now than has been the case previously in human history.**

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**July 27, 2007 By MICHAEL HUDSON, PETER A. MCKAY and AARON LUCCHETTI, Wall St. Journal [Excerpts]**

By bidding up stock prices all year, investors were effectively betting the housing slowdown wouldn't engulf the broader economy. Yesterday, that confidence appeared to be shaken.

Stocks and corporate-bond markets tumbled amid selling that was more widespread than during the three previous days of triple-digit declines this month.

**Along with risky bonds and anything connected to the housing market, investors sold off stocks, emerging-markets bonds and even high-quality corporate debt. The record trading volume in stocks reflected rising anxiety.**

Meanwhile, roughly 1,300, or nearly 17%, of the around 7,800 stocks that trade on U.S. exchanges hit their lowest price of the past 12 months.

To many investors, that made yesterday's selloff more ominous than other big declines this year. Sid Bakst, a senior portfolio manager at investment firm Robeco Weiss, Peck & Greer, said the steady drip of bad news on subprime-mortgage loans and the failure of some leveraged buyouts to get long-term financing has made investors increasingly nervous.

**"As each day has gone by, things have been leaking a bit more," Mr. Bakst said. "But today there was full-blown carnage."**

The Dow Jones Industrial Average sank 311.50 points, or 2.3%, to finish at 13473.57, after being down as much as 440 points at midafternoon.

**At the New York Stock Exchange, trading curbs designed as safeguards against a crash remained in effect for nearly all of yesterday's trading session.**

**The selloff marked the biggest three-day point drop for the Dow industrials in five years and wiped \$105.9 billion off the average's market value.**

The moves in the stock and bond markets, and discouraging news about home sales and orders for capital equipment, led the federal-funds futures markets -- where traders can bet on the Federal Reserve's next move -- to conclude that the central bank is now much more likely to cut interest rates sometime this year.

**Yesterday, investors sold off stocks whose performance is tied to the ups and downs of the economy, like energy companies, industrials and basic-materials companies, a sign investors now think the economy will slow down. Those sectors were among the market's leaders this year.**

**The meltdown in the subprime-mortgage market was clearly the factor that set off the cascade of declines.**

**Investors fears have been heightened by the sheer complexity of collateralized-debt obligations and other structured finance vehicles, which makes it difficult for investors to judge just how bad conditions are in the subprime sector, said Arthur Tetyevsky, chief U.S. credit strategist at HSBC.**

**"Now it's a much broader, much more nebulous, much more intimidating issue for the market. And that's adding to the duress that we've seen in the market," Mr. Tetyevsky said.**

**By spreading to other markets, the subprime mess is driving up interest rates for borrowers of all sorts, which can lead to a credit crunch.**

Many bearish observers thought the housing slump might cause an economic slowdown by cutting into consumer spending, which accounts for about two-thirds of the U.S. economy.

Consumer spending has held up reasonably well, however, and now worries about the economy are focused on whether tighter credit will undermine companies' ability to borrow money so they can expand and keep boosting their stock values.

**The impact of tighter credit is already apparent in the market for high-grade debt.**

**Yesterday, for example, Tyco Electronics Ltd. pulled a \$1.5 billion bond deal "due to unfavorable conditions in the debt markets," the company said.**

**Selling bonds for a company like Tyco, which has put its past scandals behind it, is normally a routine affair.**

Some analysts said the credit market, which had rallied strongly for several years, was due for a downturn. RBC Capital Markets fixed-income strategist T.J. Marta said the high-grade-bond market's move may simply be a symptom of the air being let out of a credit bubble that had gotten too big.



**“But the concern is that this is a fairly disorderly and hysterical move, and that always carries the risk that you hit a tipping point where things get out of control,” Mr. Marta said.**

Juggling his phone on the floor of the New York Stock Exchange, broker Steven Grasso weighed in on a stock market where investors’ fear has replaced greed as the most-prominent emotion.

**The bond market “is a huge concern,” said Mr. Grasso. “It’s been overhanging the market. New companies keep getting lumped into what’s happening to subprime....People thought it would be a handful of companies, but we’re seeing a marketwide impact.”**

Until recently, emerging-market bonds had largely weathered the turmoil in the U.S. and European credit markets. That’s a testament to the strong economic fundamentals and financial stability of many emerging economies. But, in another sign of the disquiet in the markets, Russian energy giant OAO Gazprom abruptly postponed a bond offering planned for yesterday.

**“It’s kind of like catching a falling knife right now,” said Edwin Gutierrez, an emerging-market portfolio manager at Aberdeen Asset Managers in London, of yesterday’s trading. “I wouldn’t be in a hurry to add risk.”**

U.S. investors awoke to overnight selling in key Asian and European markets. In addition, the Australian asset-management firm Absolute Capital announced that it was halting withdrawals from two funds with about \$200 million in assets invested in credit instruments, including CDOs.

**As the morning progressed, the Commerce Department released data showing that new-home sales in the U.S. fell 6.6% in June -- more than quadruple the decline expected by economists in a survey by Dow Jones Newswires.**

**The government also announced a smaller-than-expected rise of 1.4% in June orders for big-ticket items known as durable goods.**

**MORE FROM *GI SPECIAL* July 29, 2007:**

**“There Is A Full Blown Liquidity  
Crisis At Hand In World  
Financial Markets”**

**“Right Now, Virtually All Sources  
Of Liquidity Are Drying Up Faster**

# Than Anyone Would Have Thought”

## “The Speed Which This Liquidity Crisis Is Emerging Is Amazing Many”

Jul 27 2007 By Chris Laird, Prudent Squirrel.com [Excerpt]

For the last several years, corporate buyouts, corporate stock buy backs and such, the Yen carry trade, and the mortgage derivatives markets have added tremendous liquidity to world financial markets. In tandem with this, the market analysts came to view a ‘world stock bull’ emerging, and even the most conservative market bears started to get into this world stock bull theme in their writings.

The total amount of these sources of financing and liquidity in the last 2 years is over \$5 trillion, and has been one of the major supports for stock markets.

**All of a sudden, these sources of liquidity are vanishing so fast, that market experts are amazed.**

This all came together in about 3 or 4 weeks after the Bear Stearns mortgage derivatives mess revealed how illiquid structured finance (derivatives in mortgages and such) can become – instantaneously.

**After that, investors started to flee from billions of dollars value of structured finance offerings in the last several weeks, and in the blink of an eye, almost the entire derivatives financing universe lost liquidity across the board.**

This is a prime cause of the latest world stock crashes.

**Right now, virtually all sources of liquidity are drying up faster than anyone would have thought.**

Or, put another way, with corporate buy outs and stock buybacks at over \$1 trillion in the last year alone – that is now almost gone as support for the markets. Investment banks such as Morgan and Goldman have had to park about 40 huge deals planned this year, as they have not been able to sell of the bonds and financing for these deals.

This picture emerged in only about 3 weeks.

Continuing, the now well known debacle with mortgage derivatives – structured finance packaging risky mortgages into so called AAA rated tranches – have led to financial crises at Bear Stearns, Italease, killed deals with Morgan, and Goldman and others, and caused that sector to lose liquidity to zero basically, in a mere two or three weeks after the problems with Bears two now worthless hedge funds emerged.

Now, the almost the entire mortgage derivative universe is tanking – and huge margin calls by banks to counter parties are happening- and no one wants to buy.

**Then, the long threatening unwinding of the Yen carry trade is afoot, the Yen strengthening significantly now for two weeks, and as that continued apace, world stock markets finally started to fall apart – or crash – this week.**

Lots of cheap Yen are borrowed at about 1% and invested in every financial market imaginable. As the Yen rises, investors have to sell out stocks and whatever, and then pay back Yen at higher exchange rates – a sure loser.

This effect is magnified by a factor of ten by hedge funds who use 10 to 1 or more leverage.

**And the list of liquidity drying up goes on, but, only a few weeks after the Bear Stearns CDO (mortgage derivative mess) showed that no one wanted to buy CDOs any more, that rumbled through credit markets, and now, as one trader said, 'there is a full blown liquidity crisis at hand in world financial markets'.**

This is not just about CDOs, but has now scared almost the entire structured finance (derivatives) universe because it showed how illiquid they can become- basically instantly illiquid.

And, as, in the case of Bear, or Italease, bankers have to call in loans from counterparties who hold their structured finance derivatives, and find that their counterparties cannot fulfill the 'margin' calls in many cases – read as a liquidity crisis.

**Then, as this all is occurring, world financial markets are crashing, as the easy liquidity for corporate buyouts and buybacks, and mortgage financing, all of a sudden vanishes in only about 3 weeks.**

The speed which this liquidity crisis is emerging is amazing many.

**MORE:**

***NOW:***

**“If The Fed Had Not Stepped In, We  
Would Have Had Pandemonium”**

**"There Was The Risk Of A Total  
Meltdown At The Beginning Of Last  
Week”**

23/03/2008 By Ambrose Evans-Pritchard, The Independent (UK) [Excerpts]

We may never know for sure whether the Federal Reserve's rescue of Bear Stearns averted a seizure of the \$516 trillion derivatives system, the ultimate Chernobyl for global finance.

**"If the Fed had not stepped in, we would have had pandemonium," said James Melcher, president of the New York hedge fund Balestra Capital.**

**"There was the risk of a total meltdown at the beginning of last week. I don't think most people have any idea how bad this chain could have been, and I am still not sure the Fed can maintain the solvency of the US banking system."**

All through early March the frontline players had watched in horror as Bear Stearns came under assault and then shrivelled into nothing as its \$17bn reserve cushion vanished.

Melcher was already prepared - true to form for a man who made a fabulous return last year betting on the collapse of US mortgage securities.

"We've been worried for a long time there would be nobody to pay on the other side of our contracts, so we took profits early and got out of everything. The Greenspan policies that led to this have been the most irresponsible episode the world has ever seen," he said.

Fed chairman Ben Bernanke has moved with breathtaking speed to contain the crisis. Last Sunday night, he resorted to the "nuclear option", invoking a Depression-era clause - Article 13 (3) of the Federal Reserve Act - to be used in "unusual and exigent circumstances".

The emergency vote by five governors allows the Fed to shoulder \$30bn of direct credit risk from the Bear Stearns carcass. By taking this course, the Fed has crossed the Rubicon of central banking.

To understand why it has torn up the rule book, take a look at the latest Security and Exchange Commission filing by Bear Stearns. It contains a short table listing the broker's holding of derivatives contracts as of November 30 2007.

**Bear Stearns had total positions of \$13.4 trillion.**

**This is greater than the US national income, or equal to a quarter of world GDP - at least in "notional" terms. The contracts were described as "swaps", "swaptions", "caps", "collars" and "floors". This heady edifice of new-fangled instruments was built on an asset base of \$80bn at best.**

On the other side of these contracts are banks, brokers, and hedge funds, linked in destiny by a nexus of interlocking claims. This is counterparty spaghetti.

To make matters worse, Lehman Brothers, UBS, and Citigroup were all wobbling on the back foot as the hurricane hit.

"Twenty years ago the Fed would have let Bear Stearns go bust," said Willem Sels, a credit specialist at Dresdner Kleinwort. "Now it is too interlinked to fail."

The International Swaps and Derivatives Association says the vast headline figures in the contracts are meaningless. Positions are off-setting. The actual risk is magnitudes lower.

The Bank for International Settlements uses a concept of "gross market value" to weight the real exposure. This is roughly 2 per cent of the notional level. For Bear Stearns this would be \$270bn, or so.

"There is no real way to gauge the market risk," said an official

**"We don't know how much is backed by collateral. We don't know what would happen in a crisis, and if we don't know, nobody does," he said.**

**Under the rescue deal, JP Morgan Chase will take over Bear Stearns' \$13.4 trillion contracts - lock, stock, and barrel.**

**But JP Morgan is already up to its neck in this soup, with \$77 trillion of contracts. It will now have \$90 trillion on its books, a sixth of the global market.**

Risk is being concentrated further.

The most neuralgic niche is the \$45 trillion market for credit default swaps (CDS). These CDS swaps are a way of betting on the credit quality of companies without having to buy the underlying bonds, which are less liquid. They have long been the bête noire of New York Fed chief Timothy Geithner, alarmed that 10 banks make up 89 per cent of the contracts.

"The same names show up in multiple types of positions. These create the potential for squeezes in cash markets, magnifying the risk of adverse dynamics," he said.

"They could increase systemic risk, by amplifying rather than dampening the movement in asset prices," he said.

This is what happened as the banking crisis gathered pace. The CDS spreads measuring default risk on Bear Stearns debt rocketed from 246 to 792 in a single day on March 13 amid - untrue - rumours that the broker was preparing to invoke bankruptcy protection.

Was it the spike in spreads that set off the panic run on Bear Stearns by New York insiders? Or are the CDS spreads merely serving as a barometer?

In the old days it was hard for speculators to take "short" bets on bonds. Credit derivatives open up a whole new game.

"It is now much easier to short credit," said James Batterman, a derivatives expert at Fitch Ratings in New York. "CDS swaps can be used for speculation, and that can cause skittish markets to overshoot," he said.

For now the meltdown panic has subsided. Yet the hottest document flying around the City last week was a paper by Barclays Capital probing what might happen in a counterparty default.

It is not for bedtime reading. Direct losses from a CDS breakdown alone could be \$80bn, but the potential risks are much greater.

In theory, the contracts are matching. One sides loses, the other gains, operating through a neutral counterparty (ie Bear Stearns). But if the system seizes up, the mechanism is not neutral at all. It becomes viciously one-sided.

"Upon the default of the counterparty, (traded) derivatives would be immediately repriced, with spreads widening dramatically," said the Barclays report.

This is "gap risk", the stuff of trading nightmares.

Fortunes can vanish in a moment.

**One side would suddenly be trapped with staggering losses on their books. Yet the winners would be unable to collect their prize from the insolvent bank in the middle. It would take years to unravel all the claims in court. By then the financial landscape would be a scene of carnage.**

**Warren Buffett famously described derivatives as "weapons of mass financial destruction".**

The analogy is suspect, of course. Allied troops never found the alleged weapons in Iraq.

#### **Troops Invited:**

**What do you think? Comments from service men and women, and veterans, are especially welcome. Write to Box 126, 2576 Broadway, New York, N.Y. 10025-5657 or send email [contact@militaryproject.org](mailto:contact@militaryproject.org):. Name, I.D., withheld unless you request publication. Replies confidential. Same address to unsubscribe.**

## **IRAQ WAR REPORTS**

### **Baghdad IED Kills Four U.S. Soldiers, Another Wounded**

3.23.08 AP & Public Affairs Office, Camp Victory

BAGHDAD – Four Multi-National Division – Baghdad Soldiers were killed at approximately 10 p.m. March 23 by an improvised-explosive device in southern Baghdad while conducting a mounted vehicular patrol.

One additional Soldier was injured from this attack.

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## Douglas Music Lover, Staff Sergeant Dies While Serving In Iraq



03.14.2008 By Aaron Mackey, Arizona Daily Star

Army Staff Sgt. Ernesto Guadalupe Cimarrusti dreamed of working in the music industry one day.

The 25-year-old father, who relatives say was killed earlier this week in Iraq, grew to love music while growing up in Douglas, roughly 120 miles southeast of Tucson.

As a teen, Cimarrusti became an adept disc jockey. He hoped to parlay his experience with melding music on the dance floor into a lucrative producing career, his brother, Victor Verdugo, said Thursday.

"He liked music a lot and listened to everything," Verdugo said. "It didn't matter if it was Spanish or English."

While the military has yet to confirm Cimarrusti's death, Verdugo said his brother died during a suicide bomb attack on Monday.

Based out of Fort Stewart, Ga., Cimarrusti was serving his third tour in Iraq. He joined the Army after he graduated from Douglas High School in 2000.

Fort Stewart is home to the Army's 3rd Infantry Division, though details on Cimarrusti's unit were unavailable.

One of eight children, Cimarrusti was born in Douglas and spent his youth with his mother in Cananea, Sonora.

He moved back to Douglas when he was 12 and lived with his oldest brother, Verdugo, while he attended middle school and, later, high school.

Cimarrusti played football and practiced karate while in middle school, though music quickly became his passion, Verdugo said.

After learning how to be a DJ, Cimarrusti set his sights on working in a recording studio. He hoped to work in the music industry after he finished his Army service, Verdugo said.

But Cimarrusti had other ambitions, including wanting to become an Army helicopter pilot. "He wanted to learn something new and fly helicopters," Verdugo said.

Cimarrusti is the second soldier from Douglas to die in Iraq.

The other, Army Spc. Isaac Campoy, 21, was killed when his tank hit a land mine in Iraq on Oct. 28, 2003.

### **Including Cimarrusti and Campoy, the wars in Iraq and Afghanistan have claimed 34 service members with ties to Tucson and Southern Arizona.**

Douglas Mayor Ray Borane called Cimarrusti's death a tragedy and said flags in the city are being flown at half-staff. "The community is very proud of him for having served his country and paid the ultimate price," Borane said.

Cimarrusti is survived by his wife, Ilia, a daughter and his mother. He was preceded in death by two other brothers.

While funeral arrangements had yet to be finalized, Verdugo said he plans to hold a memorial service in Douglas next week.

Verdugo then will escort his brother across the border to Cananea, where he will be buried next to his brothers.

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## **Bucks Soldier Killed**

March 12, 2008 By CHRISTINA KRISTOFIC, The Intelligencer

When children asked Army Sgt. 1st Class Shawn M. Suzch about his job, he would tell them, "My job is to get my men out safe and alive."

"He constantly would say that," said Rick Pforter, a former foster father and a close friend of Suzch's. "He would e-mail us, and he said, 'A good day is a day when we all come back alive.'"

Suzch, 32, who grew up in Bucks County and graduated from Pennridge High School, had many good days — the day he returned from his tour in Kosovo, the days he returned from his first and second tours in Iraq, and the day he returned home in September to see his wife and new baby girl.



But he will have no more good days.

Suzch and three of his men were killed at about 3 p.m. Monday in Mansour — a wealthy section of Baghdad that many consider to be a barometer for U.S. success in Iraq — when a man in his 30s approached them and detonated the bombs he wore on a vest.

Four other American soldiers and an Iraqi interpreter were wounded. One of the soldiers died later Monday from his wounds.

The bombing was the worst attack on U.S. forces in Baghdad in about six months.

Rick and Abby Pforter of Coopersburg have known Suzch for 16 years and really worried about him during his first two tours of Iraq.

“Because it was the invasion and a lot of the insurgency was taking place,” Rick Pforter said. “We were feeling very positive about him returning this time because of the lull in fighting.”

Suzch was supposed to return in May to Fort Stewart, Ga., where he resided.

He grew up in the Levittown and Langhorne areas, Pforter said, and lived in foster homes in different parts of Bucks County.

Pforter said Suzch came from a broken family — his father was out of the picture, he hardly saw his mother during his teenage years, and he had two half-brothers who were also in foster care.

Suzch got in trouble with police when he was 13 for possession of drugs and spent some time at the Bucks County Youth Center, Pforter said. Suzch then lived with a foster family in Plumsteadville.

When he was 16, Suzch went to live at a Bucks County probation home in Hilltown that was run by the Pforters.

The Pforters had taken care of hundreds of children during the 20 years they ran the home, but Suzch was special.

He lived with the Pforters for nearly two years — his junior and senior years of high school. Rick Pforter said Suzch stayed with his family during the holidays because Suzch couldn't go home to his biological family. Suzch worked hard to be a father figure to his younger half-brothers and became a big brother figure to the Pforters' two sons.

He played basketball with the young Pforters. “There was this one area (of the court) we called Suzchland because he would always sink 3-point shots from that spot,” said Brett Pforter, now 24.

Suzch got the Pforter boys into collecting trading cards. And he built snowmen and igloos with them in the winter.

“The fact that he was older made him kind of like a role model,” said Brett Pforter. “He was a real nice guy, level-headed; got along well with everybody.”

Rick Pforter said, “Anybody who knew Shawn just felt like this kid was a really good kid and was just a victim of his environment...He never wanted to go back to the youth center — not even to say hi to some of the kids. He’d say, ‘That’s not me anymore.’ ”

Pforter said Suzch knew in his junior year that he wanted to join the Army.

“I think, at first, he looked at it as he knew he wasn’t going to get into college and it was a way to finance college for him,” Pforter said.

Suzch enlisted during his senior year and spent his weekends at Fort Dix, N.J.

He graduated from Pennridge in 1994. “Seeing him get that diploma was special,” Pforter said.

“It was the only time during the year and a half that he was with us that we met his mom. It was the very last time we saw her. Sometime or another, she had decided she would come and see him graduate. I think it raised hopes in his mind that maybe there was some hope for that family, but that never panned out.”

Suzch went to Germany after basic training. There, he met and married Angela, a German national.

Pforter said Suzch continued to try to be a father figure to his half-brothers and even had one of his half-brothers come and live with him in Germany for a year.

Suzch would call Rick Pforter long-distance for advice about raising the boy or for help finding the other half-brother.

Suzch eventually had a son of his own. But the baby was born with lung defects, and Shawn and Angela lost him in a year, Pforter said.

They had another baby — a healthy little girl named Alyssa Jayden — in September.

Suzch, who was promoted last year to sergeant first class and signed on for another six years of duty, focused on his family and his military career.

“I think he fell in love with it,” Pforter said.

“He talked about it all the time. ‘His men.’ He would say that a lot. When he told stories, he would say, ‘Yeah, my men. I had to get my men out.’ That became a family to him. It really did.”

And family was something Suzch had always wanted.

“That’s really the sad part about this whole thing. Because he finally got one...” Pforter said, trailing off.

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## **U.S. Base At Hillah Mortared;**

# Casualties Not Announced

3.23.08 By RYAN LENZ, Associated Press Writer

A mortar barrage targeted a U.S. base in the city of Hillah, about 60 miles south of Baghdad, Iraqi police said. The American military did not immediately respond to a request for comment about the attack.

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## Green Zone Comes Under Heavy Attack



Thick black smoke rises from central Baghdad's Green Zone after a rocket attack March 23, 2008 on the heavily fortified area, which houses the U.S. embassy, was hit by a sustained barrage of rocket or mortar bomb fire. (Mahmoud Raouf Mahmoud/Reuters)

March 23 By Paul Tait, (Reuters)

**Baghdad's heavily fortified "Green Zone" came under heavy rocket or mortar attack on Sunday.**

The first barrage of about a dozen blasts aimed at the Green Zone started just before 6 a.m. (0300 GMT).

Unusually, a second barrage of about eight more followed about four hours later.

A large plume of thick black smoke could be seen rising from one part of the Green Zone, which houses many government ministries and diplomatic missions, including the U.S. embassy. Sirens could be heard warning people to take cover.

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**FUTILE EXERCISE:  
ONLY 5 MILLION MORE TO SEARCH:  
ALL HOME NOW!**



U.S. soldiers with 2nd Stryker Cavalry Regiment search a house during a patrol in the neighbourhood of Muhalla in Baghdad November 13, 2007. REUTERS/Stefano Rellandini

**NEED SOME TRUTH?  
CHECK OUT THE NEW TRAVELING  
SOLDIER**

Telling the truth - about the occupation or the criminals running the government in Washington - is the first reason for Traveling Soldier. But we want to do more than tell the truth; we want to report on the resistance - whether it's in the streets of Baghdad, New York, or inside the armed forces.

Our goal is for Traveling Soldier to become the thread that ties working-class people inside the armed services together. We want this newsletter to be a weapon to help you organize resistance within the armed forces.

If you like what you've read, we hope that you'll join with us in building a network of active duty organizers. <http://www.traveling-soldier.org/>

**And join with Iraq War vets in the call to end the occupation and bring our troops home now! ([www.ivaw.org/](http://www.ivaw.org/))**

**TROOP NEWS**

**It Took Nine Cops And A Horse To  
Arrest Her;  
[Her son's a Marine Iraq combat veteran.]  
[Surprise surprise.]**



3.20.2008 Washington Times

Elaine Brower, The Military Project, arrested at actions against the wars, March 19, 2008, Washington DC

**DO YOU HAVE A FRIEND OR RELATIVE IN THE  
SERVICE?**

Forward GI Special along, or send us the address if you wish and we'll send it regularly. Whether in Iraq or stuck on a base in the USA, this is extra important for your service friend, too often cut off from access to encouraging news of growing resistance to the war, inside the armed services and at home. Send email requests to address up top or write to: The Military Project, Box 126, 2576 Broadway, New York, N.Y. 10025-5657

**IRAQ RESISTANCE ROUNDUP**

# Resistance Action

March 23 (Reuters) & (AFP)

**In the northwestern city of Mosul, Iraqi security forces opened fire on a bomber as he drove toward a military base but were unable to foil the attack because the truck's windshield had been made bulletproof.**

The attacker blasted past an armored vehicle to reach the courtyard of the military headquarters, the officer said.

Police said at least 13 Iraqi soldiers were killed and 30 soldiers wounded in the attack.

\*\*\*\*\*

A roadside bomb near the northern city of Tuz Khormato killed four Iraqi soldiers, including an officer.

An attack occurred when a convoy was travelling from the oil-rich city of Kirkuk to the tourist town of Dibis, which contains an antiquity site, according to assistant police chief Major General Torhan Yusef. "Four policemen were wounded," Yusef said.

Guerrillas killed Colonel Akram Awad al-Omairi, commander of a rapid reaction unit of Balad Ruz, and his driver outside his home in the town of Abu Saida in Diyala province.

A roadside bomb blew up near a police patrol, wounding three policemen in Zayouna district, in eastern Baghdad, police said.

A car bomber attacked an Iraqi army checkpoint, killing one soldier and wounding three, in Mosul, said a spokesman for the city's Iraqi police and military operation.

Insurgents killed a police lieutenant and wounded two policemen in an attack on a checkpoint in central Baquba, 65 km (42 miles) north of Baghdad, police said.

**IF YOU DON'T LIKE THE RESISTANCE  
END THE OCCUPATION**

**OCCUPATION REPORT**

**U.S. OCCUPATION RECRUITING  
DRIVE IN HIGH GEAR;**

# RECRUITING FOR THE ARMED RESISTANCE THAT IS



Iraqi citizens awake to U.S. Army soldiers from Third Armored Cavalry Regiment searching their home in Mosul, northwest of Baghdad, during a night home invasion March 20, 2008. (AP Photo/Maya Alleruzzo)

Iraqi citizens have no right to resist home invasions by occupation soldiers from the USA. If they do, they may be arrested, wounded, or killed.

**[There's nothing quite like invading somebody else's country and busting into their houses by force to arouse an intense desire to kill you in the patriotic, self-respecting civilians who live there.**

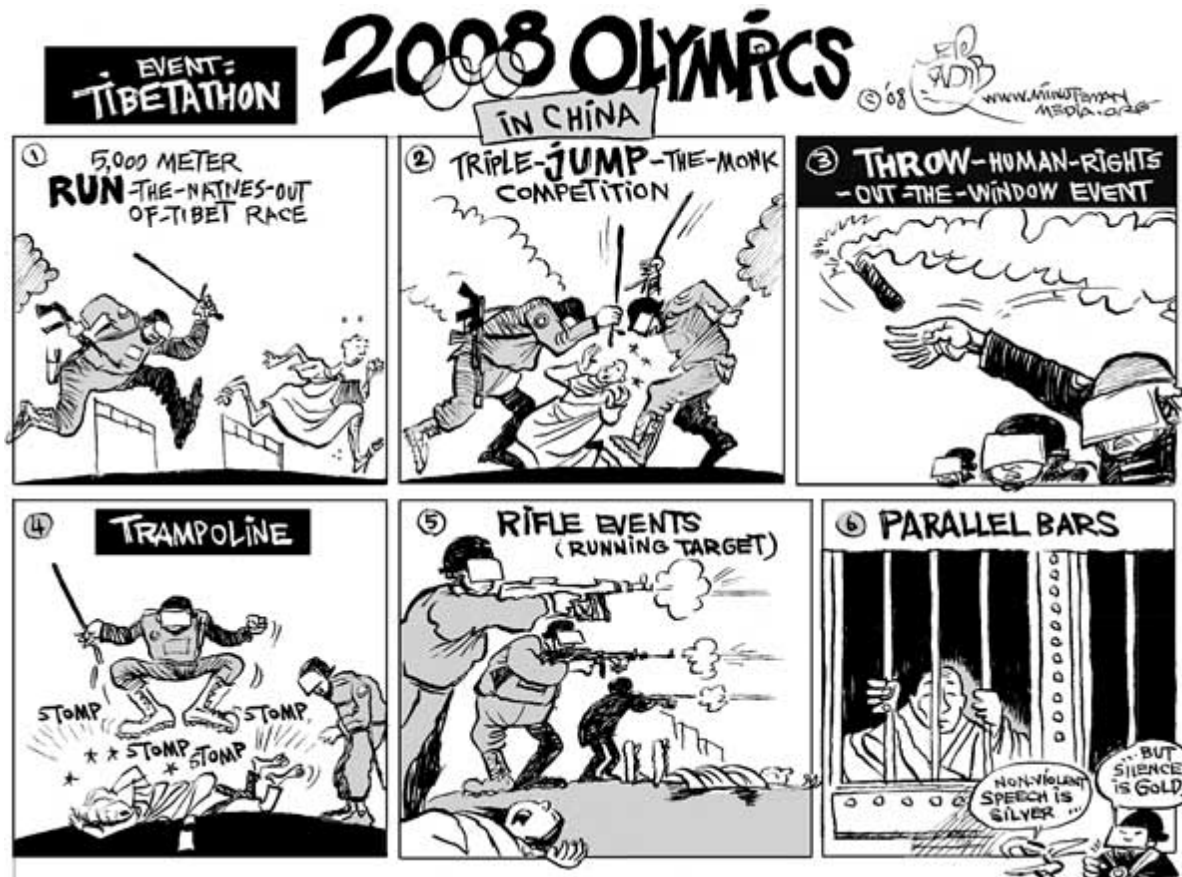
**[But your commanders know that, don't they? Don't they?]**

**"In the States, if police burst into your house, kicking down doors and swearing at you, you would call your lawyer and file a lawsuit," said Wood, 42, from Iowa, who did not accompany Halladay's Charlie Company, from his battalion, on Thursday's raid. "Here, there are no lawyers. Their resources are limited, so they plant IEDs (improvised explosive devices) instead."**

**OCCUPATION ISN'T LIBERATION  
BRING ALL THE TROOPS HOME NOW!**

**OCCUPATION TIBET**





## DANGER: POLITICIANS AT WORK

# Bush to Phase Out Environment by 2009: Declares War on Prairie Dogs

March 23, 2008 The Borowitz Report

President George W. Bush confirmed today that his gutting of the Endangered Species Act is part of a broader plan to phase out the environment entirely by the time he leaves office in January of 2009.



"In addition to cutting taxes, it has been the goal of this administration to cut our wasteful, bloated environment," Mr. Bush said in a speech before the Association of Indiscriminate Applauders in Washington, D.C.

In his speech, Mr. Bush added that the EPA would henceforth be renamed the Environmental Prevention Agency.

The president said that by removing endangered species from the protected list one by one, his administration has been able to phase out the environment gradually "so that hardly anyone will notice it's missing."

But the president warned that "much work remains to be done" if the environment is to be completely phased out by the first quarter of next year and called for the accelerated extinction of all superfluous organisms by the end of fiscal 2008.

"It is time for all Americans to take sides," Mr. Bush said. "Are you with us, or are you with the black-tailed prairie dog?"

Mr. Bush's plan also calls for a gradual reduction of air and water, with water most likely to get the axe.

"If it comes down to choosing between air and water, the president will probably scrap water," said Environmental Prevention Agency chief Stephen L. Johnson.

"After all, most Iraqis have been without water since 2003 and look how well they're doing."



**Received:**

**Vietnam Veteran Writes On How To Discourage  
War Profiteers**

From: DJB  
To: GI Special  
Sent: March 21, 2008  
Subject: war profiteers

**I served with the 1st Cav in Viet Nam.**

**I have 3 uncles who graduated from West Point in the last century alone.**

**Any individual proven to have profited from War directly forfeits their citizenship,  
and is subject to prompt execution by firing squad.**

**Anyone, no matter the coziness of their political ties.**

**This is to discourage cheap and demoralizing behaviour.**

**/S/ David J Burnett  
Carencro, LA**

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**“The Mythology Of The Bad Apple As War  
Criminal, Instead Of The War Itself As Criminal”**

From: John Francis Lee  
To: GI Special  
Sent: March 22, 2008  
Subject: The Mythology Of The Bad Apple As War Criminal, Instead Of The War Itself  
As Criminal

Dear GI Special,

'Winter Soldier aimed to break down that fiction of do-no-evil military nobility,' according to Perry O'Brien, one of its lead organizers, who served as an Army medic in Afghanistan.

'The problem, O'Brien told Truthout, is the "mythology of the bad apple as war criminal, instead of the war itself as criminal.'"

As the chief American prosecutor, Robert H. Jackson, stated during the Nuremberg Tribunal:

'To initiate a war of aggression, therefore, is not only an international crime; it is the supreme international crime differing only from other war crimes in that it contains within itself the accumulated evil of the whole.'

The evil of the whole will keep accumulating until we find the strength and means to do whatever it takes to end the aggression.

The means is supporting our winter soldiers and the strength to do so is within each one of us. We must simply do what it takes to end the aggression and the accumulation of evil that is its natural consequence.

**Thanks to those whose efforts are reported in these pages devoted to doing just that.**

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## **Received:**

### **A Film Tip From Brasil**

From: Dr. Gildo [Brasil]  
To: GI Special  
Sent: March 22, 2008  
Subject: Re: GI Special 6C13: 4000 And Five Years

**I watched this week a film called Meeting Resistance of Iraq - did you know about it?**

**Very interesting. I got it from a file indicated by [www.infovlad.net](http://www.infovlad.net).**

I want to thank you by e-mails you send us.

Obrigado, and after 5 anos this shame war continues, unfortunately.

Bye, Gildo

---

## **Received:**

### **Keep On Trucking**

From: Isolt Lea  
To: GI Special  
Sent: March 22, 2008  
Subject: keep on trucking

Reading all your brave stuff

sticking with you

Love and Peace,

Isolt Lea  
Gainesville, Florida

**REPLY:** The really brave stuff is being carried out by members of the armed forces organizing to resist the Occupations of Iraq & Afghanistan. GI Special may report on the growing movement inside the armed forces to stop the wars, but the honorable troops enlisting in the cause show what heroism truly is. T



### **GI Special Looks Even Better Printed Out**

GI Special issues are archived at website <http://www.militaryproject.org> .

The following have chosen to post issues; there may be others:

<http://williambowles.info/gispecial/2007/index.html>; <http://www.uruknet.info/?p=-6&l=e>;

[http://www.traprockpeace.org/gi\\_special/](http://www.traprockpeace.org/gi_special/);

<http://www.albasrah.net/pages/mod.php?header=res1&mod=gis&rep=gis>

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