

## GI SPECIAL 6E8:



Cover illustration by Arthur Machina for *The Rebel Girl*. Words & Music by Joe Hill (Ithaca, NY: Glad Day Press, 1940, c1915).

# The First Mothers Day: 1870

**“We, The Women Of One Country, Will  
Be Too Tender Of Those Of Another  
Country To Allow Our Sons To Be  
Trained To Injure Theirs”**

Julia Ward Howe, 1870

Arise, then, women of this day!  
Arise, all women who have hearts,  
Whether our baptism be of water or of tears!

Say firmly: "We will not have great questions decided by irrelevant agencies,  
Our husbands will not come to us, reeking with carnage, for caresses and applause.  
Our sons shall not be taken from us to unlearn  
All that we have been able to teach them of charity, mercy and patience.  
We, the women of one country, will be too tender of those of another country  
To allow our sons to be trained to injure theirs."

From the bosom of the devastated Earth a voice goes up with our own.  
It says: "Disarm! Disarm! The sword of murder is not the balance of justice."  
Blood does not wipe out dishonor, nor violence indicate possession.  
As men have often forsaken the plough and the anvil at the summons of war,  
Let women now leave all that may be left of home for a great and earnest day of  
counsel.

Let them meet first, as women, to bewail and commemorate the dead.  
Let them solemnly take counsel with each other as to the means  
Whereby the great human family can live in peace,  
Each bearing after his own time the sacred impress, not of Caesar,  
But of God.

In the name of womanhood and humanity, I earnestly ask  
That a general congress of women without limit of nationality  
May be appointed and held at someplace deemed most convenient  
And at the earliest period consistent with its objects,  
To promote the alliance of the different nationalities,  
The amicable settlement of international questions,  
The great and general interests of peace.

---

## The Rebel Girl In Person



Elizabeth Gurley Flynn, June 1913, speaking against capitalism and for working class revolution to a mass audience

Joe Hill dedicated his song "The Rebel Girl" to her a few months before he was executed November 19, 1915 by firing squad in Utah for organizing workers to join labor unions affiliated with Industrial Workers Of The World.

---

## IRAQ WAR REPORTS

### Central Texas Family Copes With Soldier's Death



Mark Stone

5/1/2008 By: Chelsea Hover, News Channel of Austin

Even though the room is empty, Jason Stone can't believe his 22-year-old brother Mark Stone is really gone.

From an early age Mark Stone was determined to follow in his father's footsteps, and become a soldier. He served in Afghanistan in 2006, and returned to the Middle East in November, heading to Iraq.

He and two others in his unit were killed when they were struck by mortar fire Monday.

"I'm proud of my brother," Stone's brother, Jason Stone, said. "He died for his country. I'm sure all his friends and family are going to miss him."

The young soldier had just emailed home last week to announce he was named a Sergeant, something that no doubt made his veteran father very proud. "He believed in

what he was doing,” Stone said. “I take comfort in that, and that he was a Christian and he’s in heaven.”

These days Stone and his father spend time laughing and remembering their lost family member for the character he was.

His presence can be felt in the fields around their country home, where Stone’s freshest memory with his brother took place.

“Just me and him wrestling in the backyard,” Stone said.

A big blue Dodge in the yard serves as a reminder of the soldier’s favorite hobby: tinkering with his truck.

“He was out here working on it all the time,” Stone said.

Even though Jason and his dad see the truck as an old clunker, it will likely remain in its prominent spot in the yard, in honor of their absent mechanic.



---

## Fallen Soldier Laid To Rest

May. 3, 2008 WTMJ-TV

CUDAHY - A tribute Thursday for a soldier from Cudahy who died in Iraq. Sgt. Steven Christofferson was laid to rest in Oak Creek Friday afternoon.

Friends say Steven Christofferson didn’t really like the spotlight. Steve didn’t really like to have his picture taken. But Friday...it was all about him.

Family members shared tears over the casket of Sgt. Steven Christofferson. His little brother Dakota shared memories. “He was the best brother a brother could have. He

taught me a lot of things when I was little. That's why I'm so much stronger now because he's with me in thought and spirit," Dakota Christofferson said.

Steve joined the army shortly after he graduated from Cudahy High School. Less than two years later, an IED blast claimed his life in Iraq.

Steve came back to the gym at his high school for friends to say goodbye to a young man who gave expecting nothing in return. "He took a large group of us to Chucke Cheese. All these 19-year-old kids had a whole lot of fun where he paid for everything," friend Jason Savage said. Now, the pain runs deep...

"He was a great friend...always there for anyone who needed him...trying to turn any situation into a fun time," one friend said.

The funeral procession passed under the flag Steve died fighting for. As Steven was laid to rest, the family laid flowers for a final farewell. Friends said the family wanted to have a big, public funeral so anyone who wanted to come could say goodbye to a soldier who died serving his country.

---

**BAD IDEA:  
NO MISSION;  
POINTLESS WAR:  
ALL HOME NOW**



US soldiers from Stryker Cavalry Regiment take cover behind a wall as a cloud of smoke rises from an explosion of ordinances found in Diyala province, northeast of Baghdad, on March 19, 2008. (AFP/File/David Furst)

---

## SOMALIA WAR REPORTS

# **Bush-Backed Ethiopian Occupation Troops Commit Atrocities In Somalia “A Young Child’s Throat Was Slit By Soldiers In Front Of The Child’s Mother”**

[Thanks to JM, who sent this in.]

May 07, 2008 AP

Nairobi: Amnesty International said that [Bush regime backed] Ethiopian troops who are propping up Somalia’s pro-U.S. government are killing civilians, slitting people’s throats and gang-raping women.

It released a report on Tuesday detailing indiscriminate killing in the Horn of Africa nation, and singling out Ethiopian troops for some of the worst atrocities.

Amnesty says it has scores of reports of killings by Ethiopian troops. In one case, “a young child’s throat was slit by Ethiopian soldiers in front of the child’s mother,” the report says.

Ethiopian officials denied an Amnesty report last month that accused its troops of “targeted killing of civilians,” particularly in a raid on Al Hidaya Mosque in which 21 people died.

Amnesty’s report says 6,000 civilians were reported killed in Mogadishu in last year and more than 600,000 forced from their homes.

---

## TROOP NEWS

# **Rats In Command Deploy More Than 43,000 Troops Unfit For Combat**

[Thanks to Pham Binh, Traveling Soldier & Military Project, who sent this in.]

5.7.08 By Gregg Zoroya, USA TODAY [Excerpts]

WASHINGTON — More than 43,000 U.S. troops listed as medically unfit for combat in the weeks before their scheduled deployment to Iraq or Afghanistan since 2003 were sent anyway, Pentagon records show.

This reliance on troops found medically “non-deployable” is another sign of stress placed on a military that has sent 1.6 million servicemembers to the war zones, soldier advocacy groups say.

The numbers of non-deployable soldiers are based on health assessment forms filled out by medical personnel at each military installation before a servicemember’s deployment.

According to those statistics, the number of troops that doctors found non-deployable, but who were still sent to Iraq or Afghanistan fluctuated from 10,854 in 2003, down to 5,397 in 2005, and back up to 9,140 in 2007.

Most of the non-deployable servicemembers are in the Army, which is doing most of the fighting in Iraq and Afghanistan. Between 5% and 7% of all active-duty, National Guard and Reserve soldiers slated for combat were found medically unfit due to health problems each year since 2003, according to statistics provided to USA TODAY.

At Fort Carson, Colo., Maj. Gen. Mark Graham ordered an investigation into deployment procedures for a brigade deployed to Iraq late last year. At least 36 soldiers were found medically unfit but were still deployed, Graham told USA TODAY.

For at least seven soldiers, treatment in the war zone was inadequate and the soldiers were sent home, he said, and at least two of them should never have been deployed.

In testimony before the Senate Armed Services Committee in February, the panel’s chairman, Sen. Carl Levin, D-Mich., asked Army leaders about an e-mail from the surgeon for the Fort Carson brigade that said medically “borderline” soldiers went to war because “we have been having issues reaching deployable strength.”

Meanwhile, soldiers with medical problems have also deployed to Iraq and Afghanistan from Fort Drum in New York and Fort Stewart and Fort Benning, both in Georgia, according to Brenda Farrell, who is leading an investigation into the practice for the Government Accountability Office.

**MORE:**

**Army Wife Nails Stupid Lying Bullshit  
Defending Command For Deploying  
Medically Fucked Up Troops;**

# [Comment On The Above Story Posted On The USA Today Website]

irishprincess wrote:

**response to jwilson7020**

**your comment was –**

*About 99% of soldiers whose questionnaires are considered “non-deployable” have simple, clerical matters that need to be cleared up. Stuff like an out of date dental X-ray, out of date vaccinations, dental or physical exams that are a few days out of date. Older soldiers may need to receive ECGs to make sure they’re hearst are ticking properly (and they usually are).*

*These things are normally cleared up either before the soldier deploys or once the soldier is deployed to the theater of operations. I was once deemed ‘non-deployable’ until I cleared up a few administrative matters. What this story SHOULD have pointed out was that the DOD is being very thorough to see that the soldiers’ issues are seen to or raised to the visibility of the commanders so that these troops can be looked after.*

*I PROMISE you that if a soldier is truly unfit for deployment, he or she is NOT deployed.*

*Even “Ev-ille” contractors are required to complete these forms! It is all part of the process to take care of those people the DoD is sending “down range” who are actually participating in the defense of this great nation and who are actually contributing to the continued security of the very Constitution that guarantees your right to free speech.*

**My response to you.**

**Don’t make promises you can’t KEEP.**

**Because I was standing there in Ft Carson on Dec 6th 2007 watching my husband getting deployed.**

**And I was seeing more then 100 people in slings, on crutches and we wont forget the two pending court martials.**

The 7 that have been sent back since they deployed, one is the husband of a friend of mine. He had just had wrist surgery due to a military injury.

**He “was NON deployable” but due to the brigade being under strength, those above him got his profile changed and said he could have physical therapy in theatre.**

**I PROMISE you, he DID NOT.**

**He couldnt close his right hand at all, hold his weapon, or do his job as mechanic.**



**I PROMISE you his SGT told him learn to do it with your left hand.**

**After sending him back and forth for 2 months to surgeons in Kuwait, it took a CONGRESSIONAL INQUIRY as to why he was still there when unable to fire or hold his weapon.**

THEN it took another month to get him home for a dr back at Carson to say, he wasn't healing right and he's going to need MORE surgery.

**Then let's talk about my husband who was TOLD after a FULL KNEE REPLACEMENT from being shot 4 times through both legs, he was NOT to go until after a year because it was inadvisable to put that much weight on his new knee.**

He had knee replacement Dec 6th, and wasn't scheduled to deploy until May to give it time.

**OOOOPPPSSS the BRIGADE told him it had come from HIGHER UP his reclass (new job) school needed to be deleted so he can be with the brigade as their numbers were low.**

**It took the HRC (human resources command) to come down on the higher ups who LIED to both my hubby and HRC and tell my hubby his orders had NOT been deleted and he was expected in School in Jan, Wait, in JAN he was in Iraq. Wearing gear he wasn't supposed to.**

**The let's talk about the kid who had recent neck and back surgery one of the 7 brought back early, who was NOT supposed to go due to neck surgery and the wearing of kevlar and gear was inadvisable because of his condition.**

**I PROMISE you he collapsed in Kuwait in NOV, when the advance party got there and he JUST was brought back stateside partially paralyzed and to get a NEW neck and back surgery in APRIL.**

This is not a case of media abuse.

Media abuse is those who give away troop positions or believe the people of all countries have rights to know where our fighting forces are.

Or the ones who play Abu Ghraib over and over, but refuse to give the same daily attention to the good stuff that is done, or play the abuses of innocent civilians rebuilding Iraq and the attention needed to those Iraqis dragging our marines through the street, or hanging our troops from the bridge. That is slanted media coverage.

Walter Reed and it's horrible conditions DID exist... Has anyone followed up to make sure it's been corrected? Where is the constant media coverage from that?

**Has anyone followed up on the Marine who died from misdiagnosis of skin melanoma in Iraq? He was told it was a wart and he could have it removed stateside. Nope it was STAGE 4 CANCER and it killed him!**

**DO you remember hearing that everyday on the news?**

**How HIS family had to pay for a military funeral for that SGT because he was forced out of the military by THEIR screwup?**

I support my husband and everytime him, his comrades or any of our fighting forces go overseas anywhere I will support them.

**I hate this war, I want them home my kids want their dad home. But WE all sacrifice for this. And we do so willingly..**

The last thing we need is people downplaying or misnaming things out of lack of knowledge because if they don't believe it, it isn't true.

IF YOU CARE ABOUT THE TRUTH, I will give you addresses of units, ask what they need for care packages, My aunts church was sending with me, microwavable food so they would have decent food over there, not everyone is in club MED.

**Better yet, ask yourself, do you have what it takes to join up or sit down and see and hear the truth from those who are living it?**

**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. Phone: 917.677.8057

**Australian Anti-War Coalition Calls  
For Troops To Leave Afghanistan  
“Before Any More Lives Are  
Wasted In Another Foreign  
Occupation”  
“Afghanis Regard The NATO Forces  
As Foreign Occupiers”**

# **“Our Soldiers Are Dying To Prop Up An American-Sponsored Regime Which Cannot Even Protect Itself In Its Own Capital”**



[Thanks to Max Watts, Australia, who sent this in.]

MEDIA RELEASE April 30, 2008

Stop the War Coalition in Sydney is calling for the Australian troops to leave Afghanistan before any more lives are wasted in another foreign occupation.

“The fifth death of an Australian soldier in Afghanistan reminds us all how high the price of supporting the United States’ adventures in Central Asia really is”, Alex Bainbridge, spokesman for the anti-war coalition said on hearing the news.

“The admission that Lance Corporal Marks was a special operations soldier reveals the truth about the Australians’ mission: it is not about reconstruction and winning hearts and minds.

“While we all feel for his family, we also ask the Prime Minister, what is the mission in Afghanistan? Mr Rudd warned us to expect more deaths because, as he said himself, ‘The history of Afghanistan is one which is not only bloody but one which has consistently resisted foreign troops’.”

**It is clear that the Afghans regard the NATO forces as foreign occupiers.**

Equally clear is the failure of the NATO occupation to make anything better for the people who live there. Life is no more secure and there is no evidence of increased aid, so it is not surprising that the Taliban is regaining support.

**“If the Europeans do not see the point of putting their troops in harm’s way, can PM Rudd explain why our soldiers are dying to prop up an American-sponsored regime which cannot even protect itself in its own capital?”**

**All he is doing is making Australians more of a target for the people who rightly resent the foreign occupation of their country.**

“Both Afghan and Australian aid workers would be better off if we put the funds used for a military presence into providing the means for the Afghan people to start rebuilding their country themselves. Instead of training the Afghans to be soldiers, why can’t we help train them to be teachers and health workers”, Alex Bainbridge asked.

Stop the War Coalition is urging people to call on the Prime Minister to pull the troops out and increase civilian aid to local Afghani organisations instead.

Stop funding the wars in Iraq & Afghanistan – Protest the defence budget on Wed May 14 at 1pm outside the Department of Defence, 270 Pitt St, Sydney.

Info: Alex 0413 976 638, Jean 0410 772 110, Anna 0401 900 690

**MORE:**

**“A Majority Of Australians Oppose A Military Presence In Afghanistan, And That Figure Is Increasing”  
“Demand The Immediate Withdrawal Of All Australian Troops From Afghanistan”**

[Thanks to Max Watts, Australia, who sent this in.]

May 03, 2008 Press Release issued by the Canterbury-Bankstown Peace Group

The Canterbury-Bankstown Peace Group (CBPG) has launched a Petition calling on the Senate to demand the immediate withdrawal of all Australian troops from Afghanistan.

Marlene Obeid, member of the CBPG, said: ‘that using the pretext of pursuing terrorists successive governments have attempted to impose a ‘pro-western’ government on the people of Afghanistan.

‘The invasion of Afghanistan in October 2001 was justified as a pursuit of those responsible for the attacks of September 11, 2001. No subsequent United Nations Resolution can justify the denial of the Afghan people their right to self-determination’, Ms Obeid added.

Raul Bassi of the CBPG said: ‘The Australian Government continues to aid and abet in the occupation of Iraq and Afghanistan to maintain their preferred regime, contrary to the 1945 UN Charter, the 1960 Declaration on Decolonization and the 1966 International Bill of Rights’.

The Petition demands that the Australian Government immediately withdraw all Australian troops from Iraq and Afghanistan, and recognise the right of the Afghan and Iraqi people to self-determination, as noted in the first article of the International Bill of Rights’.

The war is unpopular.

According to the Australia Defence Association president Neil James a majority of Australians oppose a military presence in Afghanistan, and that figure is increasing.

The Canterbury-Bankstown Peace Group encourages everyone in Australia to sign the petition which will be presented in the Senate in June 2008, and return it to PO Box 109, Glebe 2037.

For more information contact: Marlene on 0401 758 871 or Raul on 0403 037 376

**MORE:**

**“Baranowska’s Footage Offers Disturbing First-Person Accounts Of The Treatment Being Dealt Afghans By US Marines In The War On Terror And Has Led To The Opening Of Two U.S. Military Investigations”  
[Film Showing: Taliban Country]**

[Thanks to Max Watts, Australia, who sent this in.]

May 10, 2008

Sydney Stop the War Coalition will be hosting a film screening of ‘Taliban Country’ by award winning filmmaker Carmela Baranowska on Monday May 12 at 7pm, at the University of Technology (Building 2, Level 5, Rm 30 - from the main entrance, go up the escalators on the left and then turn left).

In May/June 2004, Walkley-award winning investigative reporter Carmela Baranowska was embedded with US Marines in one of the most dangerous and remote parts of Afghanistan, beyond the reach of UN and aid agencies.

Frustrated by the limitations imposed on what she could report, Baranowska decided to travel back to Oruzgon Province independently of the US Marines and Afghan militia that she had journeyed with up to that point.

**Western media outlets reported her kidnapping by the Taliban; a “fact” the documentary dispels. (The source of reports of an abandoned vehicle and Taliban abduction of a western woman has never been uncovered.)**

**More importantly, Baranowska’s footage offers disturbing first-person accounts of the treatment being dealt Afghans by US marines in the war on terror and has led to the opening of two U.S. military investigations.**

Info: Alex 0413 976 638, Jean 0410 772 110, Anna 0401 900 690

Stop the War will also be holding a protest against the Australian government's support for the wars in Iraq & Afghanistan on Wed May 14 at 1pm outside the Department of Defence, 270 Pitt St, Sydney. Come along!

To visit the Sydney STOP THE WAR COALITION website: [www.StopWarCoalition.org/](http://www.StopWarCoalition.org/)

## DANGER: POLITICIANS AT WORK

### THIS MODERN WORLD

by TOM TOMORROW



TOM TOMORROW © 2008... www.thismodernworld.com

### 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. Phone: 917.677.8057

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

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

### **CLASS WAR REPORTS**

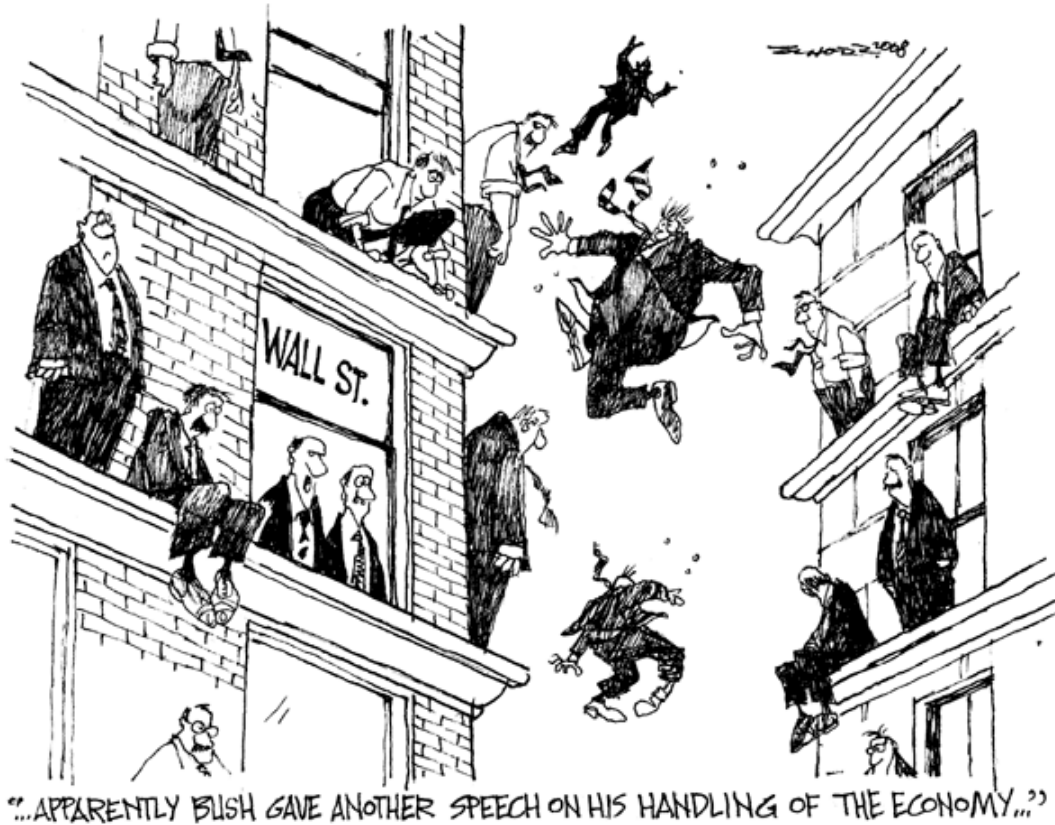
**The Death Agony Of  
International Credit And  
Banking Systems In The Epoch  
Of Imperial Greed And  
Stupidity:**

**“Unsustainable Conditions, Even  
If They Go On For Years,  
Eventually Are Not Sustained”**

**“The War Economy Also Increases  
The Depth Of This Crisis”**

**“The Democrats Will Blame It On The  
Bush Tax Cuts And Overlook The \$500**

# “Billion Rise In War Spending That They Voted For”



[Yeah, it’s long, but unlike the mass media bullshit, explains what’s going on. T]

By Joel Geier, International Socialist Review March–April 2008 [Excerpts]. Joel Geier is associate editor of the ISR.

**WE ARE at an important turning point.**

**The recession now unfolding marks the end of the 25-year long period of economic growth based on the neoliberal model — a model that was for years a great boon to capital but a great misery for the working class.**

Neoliberal measures were enacted a generation ago — after the long post–World War Two boom and the onset of crisis in the 1970s — to restore capitalist profitability.

Those policies involved something called supply-side economics, which included tax cuts for the rich, economic deregulation and privatization, cuts in social welfare, union-busting, and wage-cutting.

**These policies led to a tremendous buildup of debt. Monetarism subsumed fiscal policy, and cheap credit came to be seen as the solution to economic downturns.**



**These policies have now produced an economic disaster — first for working people, but now for the capitalist system itself.**

The destructive consequences of neoliberalism will require a reorganizing of the credit system and the banks, and a readjustment of the imbalances of the global trade system. This crisis is deeper than a standard business-cycle recession — it will entail long, painful years of crisis and restructuring.

The capitalist program to carry this out is still undefined, but what is unmistakable is that we are entering a new period, economically and politically, which will reshape the balance of power between the world's leading nations.

\*\*\*\*\*

A year ago, it became clear the U.S. was headed for slowdown and recession.

The business cycle peaked and the overproduction of housing produced stagnant and then declining home prices as the subprime housing market unraveled. This still-ongoing collapse of the housing bubble initiated an equally slow unraveling of the credit bubble, what the Economist some years ago labeled the world's greatest financial bubble.

The impact of failing mortgages sent the first shock waves through the highly leveraged debt structure of the financial system. The massive losses on bad debt destroyed banks' profits, constricted their ability to provide credit, and were clearly leading to a credit crisis and severe recession.

It was initially impossible to know how long it would take for this to work its way through the economy, although we assumed it would be one to two years. The world was still at the height of its biggest boom since the early 1970s. Profits were very high in the U.S., and banking profit rates were the best since the 1920s. Nor could we guess what actions the government would take to slow down the recessionary process or lessen its effects.

In 1998, when the Asian crisis spilled into the global financial system, Alan Greenspan, head of the Federal Reserve Bank, decided on the hitherto untried approach of stimulating an ongoing economic boom. Recession in the U.S. was successfully held back for over two years.

The cost was high: The dot-com bubble led to a stock market implosion, and huge trade deficits and foreign debt built up as the U.S. became Asia's "buyer of last resort."

Again when the recession finally hit the U.S. in 2001 with the biggest drop in profits since the 1930s, its full effects were cushioned by the largest stimulus package since World War Two. The \$250 billion government budget surplus was transformed into a \$300 billion deficit; \$1 trillion in tax cuts for the rich and war spending were used to moderate the effects of the crisis. Interest rates were cut to between 1 and 2 percent for three years in order to lower business costs and restore profitability.

The result was the weakest business recovery since World War Two, and the ultimate price was the housing and debt bubbles, whose collapse brought on the current crisis.

The economy is now in recession or entering one.

Some analysts predict that manufacturing tied to exports will keep the economy afloat. But exports, which had grown by 19 percent in the third quarter, only grew by 3.9 percent in the fourth quarter, despite the cheapness of the dollar.

The slowdown in export growth is a sign of economic weakness spreading internationally.

Every day there is new data of economic distress.

The biggest shock was the staggering collapse of the service economy (the Institute for Supply Management reported its index of service sector business activity declined to 41.9 in January from 54.4 in December — below 50 indicates a recession).

Meanwhile, despite massive injections of liquidity — central banks pouring money into the banks to prevent a paralyzing credit crunch — new areas of credit become dysfunctional.

The Wall Street Journal recently reported that “credit-card pinch leads to pullback in spending,” and it indicates that 7.6 percent of credit card loans were either at least sixty days in default or in foreclosure.

The failure of “auction-rated” debt, supposedly the safest of credits, has pushed up municipal interest rates. Credit for student loans is drying up, and credit-tightening for business as well as for consumers intensifies.

### **Global Dimensions**

The downturn is now becoming global. The recession began and is centered in the United States, but there is a slowdown throughout Europe and in Japan. Italy seems to be in recession. The housing bubble has burst in Britain, Ireland, and Spain, with others, including China, expected to follow. European banks have begun to report similar difficulties as the American banks.

In January, there was an international stock market crash, during the three-week period from January 2 to 23, affecting the United States, Canada, Japan, Britain, France, and Germany, as well as the emerging markets (Brazil, Russia, India, and China).

**Stock markets plunged between 15 percent and 20 percent. More than \$7 trillion of stock values were wiped out. The theory that the world economy had decoupled from the United States, that the world boom would continue in the face of an American recession, collapsed in an international stock market panic.**

The U.S. share of the world economy has declined dramatically in the last few years, from 30 percent to under 25 percent of world GDP, but it is still the center of the international capitalist system. Fifty-five percent of all goods produced in Asia are

exported, two-thirds of them to the United States and the other advanced industrial countries.

The consumer market in the U.S. is \$9.5 trillion. In China and India together it's \$1.6 trillion. Asian manufacturers are dependant upon the American market for the sale of their commodities — without it they have a crisis of overproduction. Therefore as the U.S. market goes into decline, it will have a dire impact on the rest of the world economy.

**Increasingly it looks as though the whole world may enter recession together. There has not been a coordinated international recession since 1973. Since then, when some countries were in recession, others were booming — maintaining export markets to ease the downturn for countries in recession. If all go into crisis together, export markets constrict everywhere, deepening the recession even further.**

\*\*\*\*\*

**This slump is also a crisis of finance capital, beginning in the U.S. but spreading to the banking system internationally.**

**The banking system is both key to capitalist production and distribution, which cannot function without credit — and also one of the main ways in which American imperialism has dominated the world, through its international banking system.**

**A year ago when the slowdown began, most aspects of the credit system were hidden from public view.**

**There was no public knowledge of structural investment vehicles (SIVs), of conduits, of collateralized debt obligations, of collateralized loan obligations, or asset-backed commercial paper, etc. — all the off-the-book operations used to keep capital reserves down and inflate profits — and of the massive fraud, corruption, and toxic debt at the center of the financial system.**

The banks are being crippled by losses originating in the housing bubble.

So far they have taken \$160 billion in write-offs from subprime mortgages (a third of that at just three banks — Citicorp, Merrill Lynch, and UBS), and they're expected to take a total hit of \$300 billion to \$400 billion on subprime mortgages.

The housing market has not yet bottomed out — and if house prices decline further (they have dropped 10 percent and are expected to fall another 10 to 20 percent in the next few years), the banks will have even bigger losses.

Homeowners will lose between \$4 trillion and \$6 trillion, with a third of households saddled with mortgages greater than the value of their homes.

Losses sustained in the subprime market are leading to the contraction of \$2 trillion worth of credit. Total credit contraction may eventually be much greater.

Commercial real estate markets, in boom a few months ago, are now collapsing. Their estimated losses may be as large as subprime losses.

Other credit problems are growing, too, from commercialized loan obligations backed by credit card debt and auto loans to corporate mergers and buyouts financed by junk bonds.

**Corporate bonds were financed in packages similar to the subprime mess. Bonds were divided into slices and sold as tiers; the worst, riskiest parts had the highest interest rates.**

**In this pyramid scheme, if one part defaults, it devalues the rest.**

Moreover, bonds of heavily indebted corporations were popular because holders could buy insurance against default in the form of credit derivative swaps.

Swaps are a totally unregulated market of \$45 trillion, with lax lending standards; they are constantly traded, so no one knows who holds the insurance and whether they have the resources to make good on defaulted bonds.

**What is certain is that with credit tightening and recession, a large number of corporations will not have the cash flow to make payments on high levels of debt. They will go bankrupt and default, a process only just starting, and which will pick up momentum in the next two years.**

**Due to the lack of transparency and swindle involved, there is no hard information on how big this problem can become.**

### **A Neoliberal Crisis**

This mounting debt debacle results from neoliberal policies of bank deregulation that began with Reagan's "free market reforms" of the 1980s, including allowing the banks to set up off-balance-sheet operations, à la Enron. Banks could leverage their loan books to increase their profits by taking on enormous risk, without putting up capital reserves if the loans turned bad.

Clinton and Bush tax laws encouraged off-the-book operations by taxing bank salaries and profits from them as "carried interest," a tax loophole for the capitalist class to keep their highest tax rate at 15 percent, which Congressional Democrats still preserve.

Under Clinton the neoliberal gift to the banks was the repeal of the Depression-era Glass-Steagall banking law, ending the separation of investment and commercial banking.

It was the investment banks that originated the corporate debt packages. The bond rating agencies (Moody's, Standard & Poor's, Fitch) were paid by bond originators to provide AAA ratings so that they could be held by pension funds and insurance companies.

**Goldman Sachs, the largest originator of this lethal debt, made large fees selling these bonds to its clients, while at the same time making billions by speculating against these bonds they understood were headed for default and bankruptcy.**

**There are some winners amid the misery — the “smart money,” or “sophisticated investors” — inside traders and swindlers.**

Behind the financial crisis of the banking systems stands the consumer debt crisis.

**The principal reason for the explosion of bad consumer debt is the enormous class inequality fueled by neoliberal free-market union-busting policies.**

**The U.S. economy has almost tripled since 1973, but all the growth has gone to capital, to the employers, to the owners, none to labor.**

**Real wages are lower today than they were in 1973, thirty-five years ago.**

**The only way to keep up living standards was through working longer hours, and two-income families.**

**Even that wasn't enough; real family income is lower today than what it was ten years ago.**

**To maintain their standard of living, working people fell deeper into debt.**

**The last, and worst debt was to borrow against their only savings, the rise in the value of their houses.**

From 2004 through the first half of 2007, homeowners took \$800 billion a year through refinancing their housing loans and through home equity loans. Thirty-four-million American households — almost a third of the population — borrowed against their houses.

**Together, they had a net savings rate last year of minus 13 percent. They were literally living off their homes.**

When the housing bubble popped and mortgage rates went up, large numbers of workers couldn't make their housing payments, contributing to the spiraling decline of housing values, and precipitating the banking crisis.

It has also effectively put a stop to consumer spending based on people borrowing against the rise in the value of their homes.

This in turn is producing a squeeze on producers of consumer products, especially the makers of “big-ticket” items like cars and appliances, and is now radiating throughout retail. Naturally, since the U.S. became after the 1997 Asian crisis the “buyer of last resort,” this collapse of consumer spending will have an international impact on countries that depend on the U.S. as a key export market.

**Since the panic of 1907 and the creation of the Federal Reserve system in 1913, this is the third American financial crisis.**

The first was in the 1930s when the interimperialist relations that led to the First and Second World Wars produced between the wars the international banking collapse that made the 1930s Depression intractable. In that period there was no deposit insurance, and the crisis led to a run on the banks, as people tried to withdraw their savings. The resulting panic led to the failure of thousands of banks.

The second financial disaster was the savings and loan crisis in the 1980s confined to mortgage lenders. It was a \$180 billion loss that was socialized through a taxpayer bailout, with the assets sold by the Resolution Trust Company at fire-sale prices for enormous profit to investors. There was a credit squeeze, but it was not intense enough to impact most of the economy for long.

**This third crisis is much deeper than the second; in its opening stage it is already outstripping the size of the S&L crisis.**

There is still no accurate picture of how bad it will be. Yet the banks are being crippled even with just a part of the subprime mortgage loss. They had to raise capital by selling parts of banks to Abu Dhabi, Singapore, and various other sovereign wealth funds — in effect to be partially controlled by foreign governments.

When Japan's housing and stock market bubbles collapsed in 1990, the Japanese banks that held the debt were crippled by bad loans. Japan suffered more than a decade long period of recession and stagnation, despite interest rates that were cut to almost zero. Japan was only recently pulled out of recession by the Asian boom.

This banking crisis could very well be worse than Japan's, because of the number of banks all over the world that the creation of the unregulated credit derivatives markets and off-book banking has affected. Its global impact will be greater because unlike the American banks, the Japanese banks were not at the center of the world financial system.

### **Accumulated Contradictions**

This financial crisis is potentially more dangerous because it comes up against the profound contradictions of the neoliberal period.

The global trade system took a peculiar form after the 1997–8 Asian crisis and the Greenspan Fed's response to that crisis. The U.S. became the buyer of last resort, importing cheaper Asian goods, as well as outsourcing manufacturing facilities to Asia, particularly China.

The U.S. lost its competitive position on the world market.

**The U.S. trade deficit ballooned to \$700 billion to \$800 billion annually in recent years, paid for through \$3.5 trillion of foreign borrowing — 80 percent of world savings financed this deficit.**

In this business cycle the American corporations have not invested in the creation of new plant and equipment, i.e., in expanding the means of production.

There are fewer factories in the U.S. today than there were at the start of the recovery six years ago. There are three million fewer industrial workers than there were five years ago.

**Meanwhile U.S. corporations have invested heavily in new factories in China and Southeast Asia, the majority of whose production goes to exports, in circular fashion, much of it to the United States.**

**This global trading system, with huge U.S. trade deficits financed by the Asian central banks, could not be sustained.**

**Yet it went on for so long that it became an accepted part of global trade and finance.**

**But the trade deficit becomes unsustainable as it comes up against the credit/debt crisis and the declining value of the dollar.**

**The U.S., now the world's largest debtor, borrowed \$3.5 trillion from foreigners, and then refused to defend its currency.**

It allowed (and encouraged for export reasons) the dollar to be devalued by 30 percent since 2000.

**The foreign holders of U.S. debt have as a result lost \$1 trillion by the dollar's decline, the greatest debt default in history.**

**There is therefore a greater reluctance on the part of foreign banks and investors to continue to finance the U.S. debt by increasing their dollar reserves, as the dollar continues to decline because of debt problems, interest-rate cuts, weak American profits, and the trade and government budget deficits.**

The painful restructuring of the American economy includes a painful international trade readjustment.

Countries dependent on exporting to the U.S. market will be caught up in this crisis. Chinese domestic consumption is only 35 percent of GDP; with slumping exports, China is faced with overproduction in most industries.

Chinese overproduction has been floated by trade-debt relations that have now become increasingly untenable. The Chinese government holds \$1.5 trillion in foreign currency reserves, the bulk of which is in American government debt.

Unsustainable conditions, even if they go on for years, eventually are not sustained.

This crisis will bring that to a head.

**The war economy also increases the depth of this crisis.**

In 2000, military spending was \$299 billion; now it is over \$800 billion—having grown by half a trillion dollars in seven years. From the end of the Vietnam War until 2007, arms

spending was 3 to 4 percent of the economy, except for a few years of the Reagan second Cold War arms buildup.

The right wing is demanding that the military be expanded and that arms spending be raised — they claim it's 4 percent of GNP, using the figure of \$515 billion.

**When the supplements for Iraq and Afghanistan are included, as well as homeland security, the CIA, the nuclear weapons part of the energy budget, and additional veterans' health costs, it is well over \$800 billion, or 6 percent of GNP.**

**At the end of the permanent arms economy with the U.S. defeat in Vietnam, the U.S. could no longer afford a level of military spending of 6 percent or more of GNP.**

**It was only affordable when the U.S. totally dominated the world market.**

**Once the U.S. had competitors by the end of the 1960s — rebuilt Germany and Japan — it could not maintain a permanent arms economy of that size.**

**History repeats itself.**

With weak American competitiveness on the world market, an enormous trade deficit, and now dependency on foreign borrowing, the U.S. has problems affording the levels of war spending necessary to maintain its position as the world's superpower.

**Weakened by its unending military and political disaster in Iraq and Afghanistan, American imperialism now has huge economic problems undermining its power and changing the balance of power internationally.**

The government budget deficit this year will range upwards from \$4 billion to \$500 billion, much of it borrowed from the rest of the world.

**The Democrats will blame it on the Bush tax cuts and overlook the \$500 billion rise in war spending that they voted for.**

\*\*\*\*\*

For the reasons enumerated above, what we are witnessing now is more than the onset of a recession, but a turning point similar to when the postwar boom ended in 1970–73.

At that time, the contradictions of the permanent arms economy — the U.S. losing its competitive edge on the world economy — led to a deep crisis of profitability, followed by a major restructuring of American capitalism.

In the twelve years from 1970 to 1982 there were four recessions. The United States was forced to abandon the Bretton-Woods Agreement, end fixed currencies, and float the dollar.

In the 1970s the U.S. still had the highest wages and lowest productivity compared to its chief competitors. By the end of the 1980s it had lower wages and higher productivity than its main rivals.



This enormous restructuring was accomplished under the ideological rubric of neoliberalism.

Keynesianism had been the accepted capitalist economic orthodoxy since the 1930s depression. Keynesian stimulus spending, aimed at boosting consumer demand to fight downturns, was held responsible for inflation, and it had no answers for the 1970s stagflation crisis of simultaneous inflation and slow growth.

The new economic model of neoliberalism marked a return to “free market” conditions before the 1930s rise of unions, the welfare state, and government regulation. The mantra was that the privatization and deregulation of industry would restore competition, lower costs, and curb inflation.

Neoliberals also championed “supply-side economics”: replacing state spending aimed at boosting consumer demand with tax cuts for capitalists who, the theory went, would invest it back into the economy, thus boosting growth.

The argument was that handing money to the capitalists would lead to a “trickle-down” effect benefiting all sectors of society. In the first years of the 1970s crisis, the working class Left was on the rise internationally; by the end there was a total rout of the working class. The balance of class forces here and internationally shifted. Capital and its conservative right-wing coalition won. Its total victory in the 1990s was aided by the collapse of Stalinism, giving rise to the ideological triumphalism of the free market as the only alternative.

What we are now coming up against are the limits of neoliberalism.

Neoliberalism has now exhausted itself as an economic strategy for capital.

It was always a failure for workers. But whereas in 1982 the stock market was at 750, in 2007 it peaked at 14,000, reflecting the success of the model in restoring profits on the back of the working class.

Capitalists loved neoliberalism because it made them fantastically rich; they are reluctant to give it up and will fight to keep as much of it as possible.

Neoliberalism will not disappear until the ruling class replaces it with an alternative strategy, but what has changed is that the capitalist class has to confront and solve the failures of its own neoliberal policies, and this will not occur without political struggle and ideological crisis brought on by the failures of the free market.

There have to be new economic policies developed. This won't happen over night.

At the beginning of the crisis of the 1970s, the conservative Nixon said, “We're all Keynesians.”

By the end, there weren't even many liberals defending Keynesianism.

The ruling class hasn't yet devised a new strategy; it has no game plan.

It is still in denial, hoping the world boom will save it, narrowly focused on immediate bailouts. There will be attempts to soften the spiraling of mortgage defaults, to retain municipal bond insurance, to keep student loans afloat.

**But at this stage only piecemeal efforts are being proposed, not a new economic strategy.**

**It should also be clear that any new strategy, whatever name it is given, will involve a continued, if not intensified, offensive by the ruling classes to cut wages and benefits and increase productivity.**

**“Politics is concentrated economics,” Lenin was fond of saying. This economic crisis will produce new political programs and remedies.**

**Neoliberalism is destined to follow neoconservative foreign policy into the ideological wilderness.**

**Defeat clarifies the mind; failures force new options to develop.**

**But consciousness lags behind experience.**

**The Right is in disarray and retreat, correctly held responsible for the mounting military and economic mess, condemned for its blindness, incompetence, and corruption. But the Right is too strong, too tied to capital to disappear.**

The right wing program will change; it can no longer credibly hope to win on tax cuts for the rich, deregulation, and small government by cutting social welfare.

There will be a different Right, perhaps along the lines of Lou Dobbs — a right-wing populism that attacks immigrants and supports protectionism — or conceivably an even nastier right wing.

Perhaps a major electoral defeat in the upcoming elections will start the process of conservative readjustment, but the ideas for a new capitalist Right are still too inchoate and reactive to predict their longer-term coherence.

As the economic crisis has unfolded over the last few months the liberals, however hesitantly, have shifted leftward, if only in rhetoric.

**The mass response to Obama’s vague call for change has indicated to them the popular appeal of leftward motion, and a bidding war between Obama and Hillary Clinton over working-class support has characterized the primaries from Iowa onward.**

In December John Edwards came out with a stimulus plan of \$70 billion; and in January Clinton came out for \$110 billion; Obama said \$120 billion, yet even Bush topped them at \$150 billion.

In recent months, the Democrats have made many promises — mostly vague; but they have raised people’s expectations and hopes for improvements in their lives. The

Democrats have their best chance in decades to sweep the elections. The Right has been discredited.

How the liberals handle the problems of both war and recession, and how they handle the disillusionment with them when they fail to carry through on many of their promises, will shape the political context of the next period.

We have gone through thirty years of reaction, of the politics of the neoliberal free market, and of the ideology of TINA (There Is No Alternative), which most people have more or less accepted. Even the Left after 1991 came to the conclusion that a planned economy doesn't work and that the free market is the only efficient way for the economy to function.

**What has held back the development of the socialist movement is the general acceptance of the free market as the only alternative, coupled to the idea that the working class can't change society.**

**The ideological crisis born of the failures of the free market do not automatically lead to a rejection of it. But from believing that the free market was a positive good, there can develop, out of its impact on workers, the belief that the free market and its workings have horrible consequences.**

**Though we cannot yet predict the impact the crisis will have on levels of working-class struggle, we can say that the accompanying ideological crisis of neoliberalism creates bigger openings for winning people to the necessity of an alternative to capitalism.**



**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>

GI Special distributes and posts to our website copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available in an effort to advance understanding of the invasion and occupation of Iraq. We believe this constitutes a "fair use" of any such copyrighted material as provided for in section 107 of the US Copyright Law since it is being distributed **without charge or profit** for educational purposes to those who have expressed a prior interest in receiving the included information for educational purposes, in accordance with Title 17 U.S.C. Section 107. **GI Special has no affiliation whatsoever with the originator of these articles nor is GI Special endorsed or sponsored by the originators. This attributed work is provided a non-profit basis to facilitate understanding, research, education, and the advancement of human rights and social justice.** Go to: [www.law.cornell.edu/uscode/17/107.shtml](http://www.law.cornell.edu/uscode/17/107.shtml) for more information. If you wish to use copyrighted material from this site for purposes of your own that go beyond 'fair use', you must obtain permission from the copyright owner.

---

**If printed out, this newsletter is your personal property and cannot legally be confiscated from you. "Possession of unauthorized material may not be prohibited." DoD Directive 1325.6 Section 3.5.1.2.**