

U.S. Inundated by Media Myths In Wake of Sept. 11 Attacks

by Paul Gallagher

At a moment when calm leadership was urgently needed from national elected officials and citizens alike, the United States was inundated, in the days after Sept. 11, with dangerous media myths. The most blatant and dangerous—that “terrorist attacks are now going to cause a recession, from which a new patriotism will cause a recovery”—was everywhere. It was intended to give a jingoist covering to Federal Reserve money-printing operations on behalf of Wall Street markets and banks, which were so gargantuan, that the Fed appeared to be trying to inflate new 110-story towers of money, overnight. That myth was intertwined with another, which claimed that the events of that black day were an “unforeseeable Pearl Harbor” which would automatically change the country.

Bill Ferguson, LaRouche Democrat campaigning for Congress in Massachusetts, released a statement later in the day Sept. 11, reminding voters in the rumor-wracked Boston area that “this horrible development is not a surprise.”

Ferguson simply quoted from Lyndon LaRouche’s international webcast statement of August 24: “The world is presently gripped by the biggest, most deep-going, most deadly financial and monetary crisis since Europe of the middle to late 14th Century. We are in a period in which economic and related circumstances have made the idea of regular modern warfare a sick joke; in which regional and other ‘little wars,’ terrorism, political assassinations, and other forms of destabilization, are leading items on the agendas of many of the strategic planners. The financial and monetary crisis in its presently advanced stage, drives desperate political forces to the brink, desperate political forces who would rather drive civilization itself to the brink, than tolerate the changes in

financial and monetary institutions which the present situation demands.”

Potential Meltdown That Week Anyway

The attacks and their purpose were thus not unforeseen by LaRouche and others aware of the consequences of the policy-axioms ruling the leading governments in this financial collapse. The question of whether U.S. intelligence agencies had been given specific recent warnings of events of this kind—for example, from Russian intelligence agencies, as reported by *Izvestia* Sept. 12—is one that still needs to be answered.

The United States economy was not only falling into a potentially bottomless crisis before the destabilization was launched at Washington Sept. 11; it was quite possible that the week of Sept. 10 would have seen a financial market meltdown in any case, without the deadly kamikaze attacks. The U.S. unemployment and other reports of the previous Thursday, Sept. 6, had been a deep shock in themselves, and world stock markets were sinking fast as that week ended. Other telltale signs of collapse had appeared in those same days. The first reports of state tax collections for August showed a second consecutive month of plunging revenues. It was reported Sept. 11 that the median home price in the United States had fallen by 5%, abruptly reversing a run-up which continued for years, and warning of the coming collapse of “the last bubble”—real estate. All this was coinciding with simultaneous, accelerating collapses in the Japanese and European economies.

This was the context—despite the intervening destruction of bank offices and records, and loss of life of financial em-

ployees—in which the Federal Reserve and other Group of Seven central banks began the largest money-printing operations in world history on Sept. 11-12. Americans were convinced in the late 1990s that huge injections of liquidity into the banks and markets were “required to pay for Y2K preparedness.” So, now, they are being told that hundreds of billions of dollars of liquidity infusions, in just a few days—including \$80 billion by the Fed in two days—are required to keep bank operations stable in the aftermath of destruction in New York’s financial district, and to “avert the chance of panic.”

Economists appearing as commentators, on the non-stop media “coverage” of the events of the week, went further. They aggressively insisted, like so many enthused vacuum-cleaner salesmen, that while “we’re going to go into recession as a result of the effects of these attacks,” the Federal Reserve’s “steady and resolute” printing of hundreds of billions was the opening sign of the “will to recovery.” America, it was said by each of them, was going to show that evil terrorists could not destroy its economy. “Meanwhile,” said one typical such economist on CNN, “Americans should do their part, and go out and spend; buy a flag, go to Home Depot. . . .”

Perhaps a more accurate indicator of likely intent and direction of all this new liquidity, was the Sept. 13 announcement by Cisco Systems—one of the most spectacularly “troubled” of the very big information technology (IT) firms—that it intended to spend \$3 billion buying back its own stock, when the Wall Street markets finally reopened Sept. 17. Large conglomerates buying their own stock, was one of the means by which huge inflows of funds into the dollar, in the late 1990s, kept the Wall Street bubble growing, long after the real profitability of U.S. firms had turned negative. But never, in that period, did these hot-money flows begin to approximate the rate of *\$100 billion per day* which the central banks are now putting into the banking system. Large volumes from this huge set of pumps will flow through the banks to corporations which were reeling toward collapse.

\$40 Billion Emergency Bill

Will any of this “launch a recovery?” The answer was already given in the creation of the “tech bubbles” and the real estate bubbles of the 1990s. The central banks are straining wildly for hyperinflation against the deflationary Depression slide. Their actions now reflect the “terrorist” desperation of powerful international financial circles—as LaRouche has warned of this not only in his Aug. 24 webcast, but since his 1999-2000 campaign for the Democratic Presidential nomination.

At the same time, great “patriotic” hopes were aroused by the media over the emergency “recovery bill” being discussed by the White House and Congress. Already after the economic shocks of Sept. 6-7, calls had been coming—from Republicans, most notably Sen. Pete Domenici (R-N.M.)—for spending Social Security funds to stimulate the rapidly failing econ-

omy. After the Sept. 11 disasters, the President asked for \$20 billion in emergency spending—apparently largely for security, counter-terror investigation, callup of reservists and military purposes—and the Congress responded by adding another \$20 billion, for aid and reconstruction primarily in New York.

There was apparent bipartisan agreement, but troubles that arose over the language of the bill, reflected the fact the *policy* by which the spending of the funds will be guided, has not been reasonably discussed. Democrat David Obey (Wisc.), for example, said, “I didn’t come here to have written on my tombstone that any President could, if he wanted to, put eight divisions into Afghanistan, or go to war with the entire Arab world . . . without consulting with any other human being in government.”

But also on the “Congressional” side of the emergency bill, there was no clear direction: Americans were regaled with the grandiose plans of New York Mayor Rudolph Giuliani and former Mayor Ed Koch to “immediately rebuild the World Trade Center towers”; this, presented as a patriotic national recovery/retaliation plan, would consume a good deal of the Congress’ added \$20 billion.

No change in policy, no new policy initiatives by the United States toward the waiting nations of the world, was connected to all the sudden new announcements of printing and spending of government funds.

A few commentators, voices in the wilderness who were largely unheard on the news, tried to warn against the making of policy—with a destabilized Federal government—by the media using neo-conservative commentators and whipped-up “market analysts.” Army War College Prof. Stephen Pelletiere warned on Sept. 12 against the drumbeat that “America has completely changed.” In fact, Pelletiere told a Washington meeting on Mideast policy, the pre-Sept. 11 economic and strategic crisis remains and cannot be touched by military retaliation in itself.

But the only potent leadership shown was that of Lyndon LaRouche, in his numerous radio interviews which began in the very hours of the unfolding tragedy on the morning of Sept. 11. “The international financial system right now, is in the process of collapse, and this is what all this means,” LaRouche told a Toronto interviewer. “There are solutions. But some people, rather than consider the solutions, would rather take desperate actions. And they have to be very powerful people to do something like this.” LaRouche called on the President and Congressional leaders to remain calm, to immediately enter discussions with the leaders of the major Eurasian and Mideast nations on the fundamental *changes of policies* necessary to bring to an end the kind of disasters which are targeting the United States during September.

Unless they calm down and concentrate on that requirement—and, what it requires of them—Americans will be led by the dangerous myths of “recovery by retaliation” which the media were churning out in the days after Sept. 11.