

EIR

Executive Intelligence Review

October 28, 2005 Vol. 32 No. 42 www.larouche.com \$10.00

A New 'Halloween Massacre' Will Sink Cheney-Rumsfeld
LaRouche vs. Greenspan on Derivatives: An 18-Year Fight
The Neo-Cons Are British Liberal Imperialists

Globalization Is The New Imperialism



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Science: The Power To Prosper

Lyndon H. LaRouche, Jr.

To overcome the present crisis of our national and world economy, I have chosen the timely example of the urgent need to diagnose and cure the present collapse of the auto industry. What was wrong? What should we now do instead? How must we think about economics if we are to succeed in overcoming this challenge? How must we think about a successful rebuilding of both the U.S. and world economy over the coming fifty years and more?

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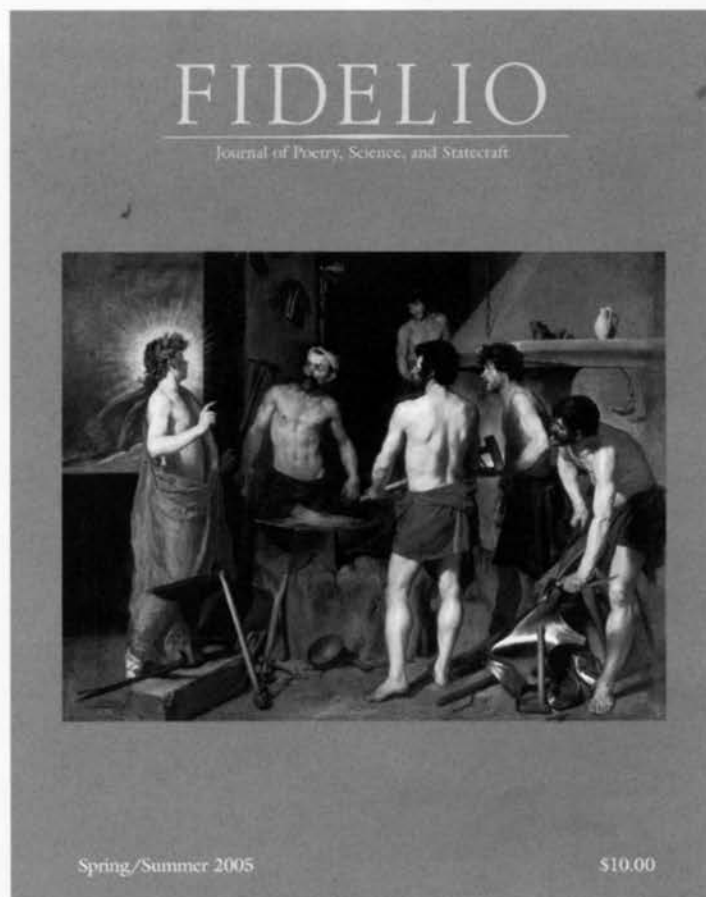
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*EIR (ISSN 0273-6314) is published weekly (50 issues),
by EIR News Service Inc., 912 Pennsylvania Ave., S.E.,
Washington, DC 20003. (202) 543-8002.
(703) 777-9451, or toll-free, 888-EIR-3258.
World Wide Web site: <http://www.larouchepub.com>
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Canada Post Publication Sales Agreement #40683579

Postmaster: Send all address changes to *EIR*, P.O. Box
17390, Washington, D.C. 20041-0390.

From the Associate Editor

The collapse of the U.S. auto industry, with the attendant rush by CEOs to slice the wages and pensions of their employees, should come as no surprise to anyone who has been reading *EIR* for any significant length of time. In this issue, we publish just a few of the warnings issued by Lyndon LaRouche—both on the auto crisis, and 18 years' worth of prescient statements on the disastrous import of the shift into financial derivatives. LaRouche has been slugging it out with Alan Greenspan ever since 1987!

Why, when the picture has been so clear for so long, and the solutions so sharply defined by LaRouche, have the necessary remedies not yet been adopted? It's not that there aren't knowledgeable and experienced people in Washington and other world capitals who know that what he has been saying is true. The problem goes deeper, as he analyzes in our *Feature*, "Globalization, the New Imperialism."

He writes, "The most notable point to be made on this present occasion is, that the argument for avoiding the urgently needed precautionary measures, was that relevant circles were advised that I had been mistaken respecting the factors of timing and more deep-going issues of policy in this matter. It is typical of the conditioned state of mind among our nation's and Europe's makers and shakers, that we are met, in each recent stage of a growing national and global economic crisis, by the potentially fatal effects of a reluctance of the presently reigning political generation to 'put the toothpaste back into the tube,' a reluctance to tamper with those habituated, recent decades' changes in policy which have now led us to the brink of the greatest global financial-monetary and economic collapse in modern history."

We go to press as tectonic changes are taking place in Washington, reported by Jeffrey Steinberg. By the time this magazine reaches its readers, will Vice President Dick Cheney be out? The likelihood grows by the day, and our supporters (and adversaries) know well what a vital role the LaRouche movement has played in bringing this situation about.

Note that LaRouche has scheduled a Washington webcast on Nov. 16, on "The Role of the United States in the Post-Cheney World." It will be at 1:00 Eastern Time on www.larouchepac.com.



EIR Contents

Cover This Week

Britain's Prince of Wales (later King Edward VII) on tour in India in 1876.



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4 A Strategic View of European History Today: Globalization, the New Imperialism

By Lyndon H. LaRouche, Jr.

“There is the growing popular sense of things, among those of us who represent the relatively economics-literate circles of Europe and the Americas, that the strategic and economic situations . . . are now verging upon a highly explosive state of over-ripeness for a general collapse. The most menacing feature of this present crisis, is the widespread lack of competent strategic insight, even among most relevant specialists and political authorities, alike, into the causes and underlying character of the complex, general global situation which the immediately recognized crisis-developments only reflect. The true, deeper origins, causes, and probable historical outcomes of these looming catastrophes, are not yet generally understood, even among the relatively best-informed leading circles of governments in North America and Europe. . . .

“It is my intention, in this present report, to correct the widespread ignorance of the deeper causes for today’s actual, currently rapidly worsening world situation.”

6 LaRouche Warned Congress To Confront Auto Crisis

National

36 A New ‘Halloween Massacre’ Will Sink Cheney-Rumsfeld

Thirty years after President Ford’s Cabinet shakeup, we are on the verge of another, and Lyndon LaRouche has declared that the “post-Cheney era” in American politics has already begun.

38 Top Republican Evokes Eisenhower, Blasts ‘Cheney-Rumsfeld Cabal’

Excerpts from a speech by Col. Larry Wilkerson (ret.), who served as chief of staff for former Secretary of State Colin Powell from 2001 to early 2005.

41 LaRouche Continues Dialogue With Congress

Questions sent to Lyndon LaRouche after his Oct. 12 webcast, by Congressional and other leading Washington figures, and his written answers.

45 Veterans Administration and the Nation: The Policy Fight Over VA Benefits

50 Close VA Hospitals As Flu Pandemic Threatens?

Economics

52 Derivatives Trader Refco Files for Bankruptcy

Another earthquake is hitting the worldwide casino of financial derivatives, as a financial institution collapses that represented the intersection point for access to the futures exchanges for thousands of clients.

54 Jochen Sanio: Should Hedge Funds Be Regulated?

A speech given by the president of the German Federal Financial Supervisory Authority, at the “Top Ten Financial Risks to the Global Economy” Conference in New York.

56 Greenspan Shrugged—LaRouche vs. Greenspan: An 18-Year Fight Over Financial Derivatives

A chronology from 1987 to the present of what Lyndon LaRouche said, what Alan Greenspan did, and what actually occurred, as the world economy continued to collapse—just as LaRouche warned that it would.

65 Germany: Will New Government Re-Industrialize?

International

66 The Neo-Cons Are British Liberal Imperialists

Tony Blair’s rampage against the nation-state and the Treaty of Westphalia demonstrates why it’s past time to end the influence of the British Liberal Imperialists on the United States.

67 LaRouche: Blair the Fascist

68 Palmerston, Canning, and Tony Blair

70 Science Behind the Killer Earthquake: Why South Asia Must Be Prepared

70 Report From the UN: Earthquake Toll Mounting

A STRATEGIC VIEW OF EUROPEAN HISTORY TODAY

Globalization, The New Imperialism

by Lyndon H. LaRouche, Jr.

October 9, 2005

In Our Feature

What Must Now Be Done
At The White House Press
Conferences

**1. Two World Wars and
More**

Why “World War I”?

**2. “Kill Even the Memory of
FDR”**

The Banque Worms Scandal

**3. What Is, or Is Not
Economic Science**

The Cultural Paradigm
Down-Shift

The Mental Chains of Slavery

The Role of the Rascals
Economy and the Genesis
of Morality

**4. Economy As the Moral
Progress of Mankind**

The Role of Dirichlet’s
Principle

National Economic Systems

The Moral Purpose of Economy

The Role of Economic Cycles

By traditional standards, the accelerating degeneration of the U.S. military-political occupation of Iraq, has already entered the terminal phase of the currently failed war policies of the U.S. George W. Bush, Jr. Administration.¹ The global strategic situation of the moment can be brought into focus by saying simply that the presently advanced state of degeneration of the U.S. military operations in both Iraq itself and the adjoining region, interacts with a threatened early disintegration of the world’s present IMF monetary-financial system.

We have entered a time during which only the combined dumping of the policies of the current Bush Administration, and the launching of first steps toward a new world monetary-financial system akin to that of the original Bretton Woods system, could prevent the otherwise inevitable early plunge of the planet as a whole into a new dark age.

We have entered a time in world history, when any different remedy than that which I have just recommended, were the wishful dream of self-damned fools.

To rational elements among the more well-informed circles of the planet, as one month follows another, the evidence to that effect is now more and more painfully clear. Were the present majority among the leading management cadres of today’s world fully rational, the wild-eyed monetarist experiment launched

1. As I have said in earlier locations, the intent of Cheney et al. was not to win a war in Iraq, but to promote the global strategic goal of spreading chaos as a weapon of policy against a world order based on the institution of the modern sovereign nation-state. The failure was intentional from the beginning, as was made more than clear with the insertion of George Shultz’s asset Bremer into the situation. Bremer prevented a normal occupation through the instruments of the existing Iraq military and civilian administration, thus ensuring the present descent into something far worse than the 1950s French occupation of Algeria. The defeat being suffered there is not primarily the work of the Arab resistance, but the self-inflicted political defeat achieved by Cheney, Rumsfeld, et al., and their Synarchist-style financier masters.



Wieck Photo

The failure of the U.S. Executive and Legislative branches to act in an urgent manner on the crisis in the automotive sector, has created a situation far more deadly than what existed those few months ago, when LaRouche spelled out for them what needed to be done. Here: The Ford Fiesta in production.

under the U.S. current Bush Administration would be declared a bad job, and a return to the relatively successful economic and related policies of the immediate two post-war decades, would be rapidly resumed.

For example: In the case of the U.S.A. itself, although I warned, repeatedly, during the Spring and early Summer of this year, that we must prepare for the chain-reaction-like effects of an early “crash” in the automotive sector, no significant action was taken, either in the Executive or Congress, on that specific account.

The most notable point to be made on this present occasion is, that the argument for avoiding the urgently needed precautionary measures, was that relevant circles were advised that I had been mistaken respecting the factors of timing and more deep-going issues of policy in this matter. It is typical of the conditioned state of mind among our nation’s and Europe’s makers and shakers, that we are met, in each recent stage of a growing national and global economic crisis, by the potentially fatal effects of a reluctance of the presently reigning political generation to “put the toothpaste back into the tube,” a reluctance to tamper with those habituated, recent decades’ changes in policy which have now led us to the brink of the greatest global financial-monetary and economic collapse in modern history.

Now, the consequences of that Hamlet-like kind of inaction, motivated in that Hamlet-like fashion, have brought our republic, and much of the world besides, into a situation far

more deadly than existed those few months ago, when precautionary action against the principal, presently looming effects of the General Motors crisis might have been set into motion.

What Must Now Be Done

The problem which needs urgently to be corrected, is not only that the currently ruling, powerful combination of international monetary-financial interests has been ignorant and increasingly irrational. The problem is the conditioned fear of the power of the financier class, which has been spread among the political and other leading currents of our society, both in the Americas and Europe. It is the policies of those financier circles which have intentionally ruined what had been once the flourishing economies of the U.S.A. and western Europe of the period prior to the great Anglo-American financial paradigm-shift of the 1964-1972 interval.

Today, the policies of those financier interests have ruined the Americas and Europe almost irreparably, especially during the nearly sixteen years since the close of 1989, when the Soviet challenge no longer existed to prompt our maintaining our economies. Today, those financier interests which triumph over the ruin they have wreaked upon us, insist that they will never permit national economies, ever again, to reach for supremacy of the sovereign nation over the predatory lurchings of that global slime-mold-like financier oligarchy, which has looted nations down to levels of productive output which are currently actually below breakeven for the national econo-

mies of Europe and the Americas as a whole.

The generally expressed intent of practice among those financier circles, whose current majority, whatever their level of intellectual development, is typified by its mad obsession, its intent to bring about a modern caricature of the old medieval, *ultramontane* system in which Europe was under the tyranny of an anti-nation-state alliance of Venice's predatory financier oligarchy, with that self-styled holy league of butchers known as the Norman chivalry. Today, the mad dash for such an *ultramontane* form of global imperialism is called by such names as "globalization."

This intent by such financier "slime-molds," has been the underlying issue of two so-called "world wars" and the great thermonuclear conflict of the century just concluded. This intent is the key for understanding the military and related policies of the Vice President Cheney-directed U.S. Bush Administration today.

Said otherwise, the presently avowed goal of these slime-mold-like aggregations of private financier interest, is to establish a world system in which either nation-states cease to exist, or they are degraded to lackeys, begging at the footstools of financier-oligarchical power. It is that kind of a system which these oligarchical circles demand now; it is a system known popularly today as "globalization."

In effect, it could be said of some very influential circles, that the financier slime-mold of the same Synarchist Interna-

tional which created the regimes of Mussolini, Hitler, and Franco, wishes presently to have something like a nuclear "Battle of Armageddon," and to win it, soon. The purpose of launching such a horror is to clear away the residues of former nation-state institutions, including those of our Federal Constitution. Although these forces could never succeed in their attempt to establish a permanent new world empire, the intended results imply that the power they serve is perhaps the true whore of the earlier Babylons, imperial Rome and medieval Venice.

Once any intelligent person understood the present resurgence of the same policies which motivated England's Edward VII to organize what became known as "World War I," what I have just stated should also be readily and correctly understood. The financier attempt would fail, catastrophically, for both assailant and victims, alike, but the evidence of such a looming reality never convinced the victim of a true obsession.

In the meantime, the present situation is as follows.

There is the growing popular sense of things, among those of us who represent the relatively economics-literate circles of Europe and the Americas, that the strategic and economic situations of these regions of the world are now verging upon a highly explosive state of over-ripeness for a general collapse. The most menacing feature of this present crisis, is the widespread lack of competent strategic insight, even among most

LaRouche Warned Congress To Confront Auto Crisis

While Lyndon LaRouche repeatedly warned Congress this year to take emergency action to save the auto sector, as a crucial component of U.S. strategic machine-tool capability, no significant action was taken. Here are his key statements:

March 23: At a LaRouche PAC town meeting in Detroit, LaRouche calls for a "reconstruction agenda" to save the nation's industrial capacity, in the face of the threatened collapse of General Motors. See "LaRouche Intervenes in GM Crisis: Save U.S. Industry," *EIR*, April 8.

April 9: In a meeting with labor leaders and elected officials, called to discuss a solution to the crisis, LaRouche calls for saving the auto industry as a crucial aspect for U.S. economic recovery. He proposes that the government intervene by placing the productive capacity of the industry into government-supervised receivership, and then fund the retooling and expansion of that capacity,

to supply the components of national infrastructure projects. See www.larouchepac.com.

April 22: LaRouche's "An Economic Reconstruction Policy: Recreate Our Economy!" appears in *EIR*, and is subsequently circulated as a LaRouche PAC pamphlet. The only solution, LaRouche shows, is to move immediately to save vital productive capacities, such as General Motors, and then move to reorganize the bankrupt global financial-monetary system.

May 10: LaRouche issues a mass leaflet, "Guts and Government," calling for Congress and other leaders to stop vacillating on the GM crisis. See *EIR*, May 20.

May 14: LaRouche issues a memorandum to Congress, published in *EIR*, May 27, "Congress Faces New Turn: On the Subject of Strategic Bankruptcy." Highlighting the collapse of the airline industry, the efforts of GM/GMAC to dump auto-workers' pensions, and the threatened collapse of GM, Ford, and others, he lays out the parameters for a strategic bankruptcy, in the interest of the general welfare.

Oct. 12: Responding to a question at a Washington webcast, LaRouche calls for putting the auto industry under Federal protection. See *EIR*, Oct. 21, 2005, or www.larouchepac.com.



White House Photo

Left: Ventriloquist Edgar Bergen with his puppet, Mortimer Snerd. Whether President Bush lied to get us into the war in Iraq, in the fashion of Vice-President Cheney's "Mortimer Snerd"-like puppet, or otherwise, "there is neither hope of victory, nor honorable escape, for as long as the 'Bergen-Snerd' team of that Vice-President and his President remains in office."

relevant specialists and political authorities, alike, into the causes and underlying character of the complex, general global situation which the immediately recognized crisis-developments only reflect. The true, deeper origins, causes, and probable historical outcomes of these looming catastrophes, are not yet generally understood, even among the relatively best-informed leading circles of governments in North America and Europe.

The worst aspect of this, is not that leading political and related authorities do not recognize the nature and causes of this onrushing crisis. The worst aspect is that most among them, so far, now, as on the eve of crises such as that of 1929, have not wished to know, even to hear the truth about this onrushing situation.

This is, in itself, a correct view of the immediate expression of the danger, but it, too, fails to look deep enough.

It must be fairly said, that, while more and more leading U.S. circles are reacting to the perceived reality of the symptoms this situation presents, they have yet to find in themselves the willingness to accept the more essential fact of the matter. Until this point, they have remained blinded to the existence of the actual, underlying disease which these symptoms reflect. A growing minority of the leading relevant circles in North America and Europe recognize many of the symptoms; but even all of them, so far, refuse to accept the fact of the disease itself.

It is my intention, in this present report, to correct the widespread ignorance of the deeper causes for today's actual, currently rapidly worsening world situation.

To restate the case: As a result of that discrepancy in general understanding of the problem, even among leading circles, current directions in policy thinking are fairly characterized as growing zeal for ameliorating the most obvious and immediate symptoms, without willingness to challenge the long-ranging, globally disastrous threats posed by the relevant, potentially fatal disease. They overlook the deeper, real

causes of our growing tribulations, in their zeal to blind themselves to the deeper causes for the mere symptoms. The manifest intent of their practice is to reform the enemy without actually annoying him.

In the closing portion of this present report, I shall touch the core of this problem in mass political behavior; but, to be understood thus, in the end, we must proceed in the fashion of peeling away layers of the proverbial onion, turning first to the matter of recent generations' experience of major wars, and finally reaching the core of the problem, through progress in examining a series of successive, intervening, deeper layers of the problem overall.

On the first of these layers, the outer layer, so to speak, is the root of this failure of leading circles of governments of, most notably, North America and Europe, to recognize and attack the disease of recently experienced recurrence of world war itself, to attack the propensity for misunderstanding war. This is a propensity which can be traced, in its essentials, to the prevailing academic and popularized misconception of the actually primary cause of the principal wars and related crises which have afflicted globally extended European civilization since that famous Paris Treaty of February 1763, which launched the people of English-speaking North America into what became the 1776-1783 war for national liberty.

Therefore, this present report is given as a summary of that specific historic problem which underlies the mounting global, existential complex of crisis of today. I shall now preface that summary at the door of today's White House. In earlier reports, I have addressed some of the crucial, leading facts treated here. The difference is, that, in this report, I focus on the same specific, centuries-old feature of the military strategic situation which modern European governments have stubbornly, repeatedly refused to take efficiently into account, up to the present moment.

Therefore, to complete this preface, I begin now with an introduction to the matter of current threats of warfare, taking

as an example, the tragic case of the present U.S. Bush Administration.

At the White House Press Conferences

Like the President George W. Bush, Jr. Administration's stubbornly lying about his seemingly endless war in Iraq, most of what has been taught about the causes of modern warfare, in our history lessons, and by notable political leaders, is conventional fraud, when it is not outright stupidity, like that of President Bush himself.

To be fair to that President, we must concede that he rarely knows the actual meaning of the words coming out of his mouth. It often appears, that he is to be seen on our television screens as gaping in wonder at the spectacle of that flow of words from that orifice. Nonetheless, he lied repeatedly, as a way of getting us into that war. That much conceded, whether he lied in the fashion of Vice-President Cheney's "Mortimer Snerd"-like wooden puppet, or otherwise, it has been just those lying words from his mouth which got us into an Iraq from which, it seems, more and more, that there is neither hope of victory, nor honorable escape, for as long as the "Bergen-Snerd" team of that Vice-President and his President remains in office.

So, it is the case, that impeachments, or a decent sort of timely resignation from office, as was used to settle the breakdown of government threatened by Nixon's continued incumbency, are on the tips of the tongues of more and more sensible political leaders of our nation today.

Under other circumstances, where decency permitted us to be more generous in our description of that poor President, we would then treat him gently, and view him charitably, as a poor fellow who could read neither a page, nor a map, nor, probably, distinguish between the two. He has, like all persons, his rightful place in the enjoyment of life, but the terrible price our nation has already paid for his mistakes in that office, shows all sentient beings that his personal right does not include the U.S. Presidency.

In any case, we must put the blame where it belongs. Those failings of that President are no excuse for the relevant behavior of the U.S.A. itself; the people of the U.S.A. can make no acceptable evasion of the fact of their own guilt, if it were only the great guilt in allowing such a wretched incompetent as poor George W. Bush, Jr., to be seriously considered by them as a contender for election as President. When the people stop blaming Washington as much as they do, and blame their own cowardly political evasion of a citizen's responsibility more, the challenge might be quickly addressed.

The fact remains, that what the U.S. public, up to very high ranks in office, have been swindled into believing about modern warfare in general, is not merely deliberately misleading hokum. What they have been told, is the proverbial big lie. These poor people of ours, in general, soaked in cheap and tawdry forms of entertainment, have recently shown little

or no comprehension of the actual nature of the world in which they live. Even notable Presidents of our republic, or heads of government abroad, have often mistaken their privileged familiarity with some among the sensitive predicates of current history for the actual subject of the long-ranging dynamics of history as such.

So, today's political idiot, like a character in a script by the utterly depraved Bertolt Brecht, marks his entry on the stage of current history, by babbling his lunatic sophist's chant, "I don't believe in conspiracy-theories."

To begin to understand the dynamical, determining character of the deeper, determining, real issues of these times, especially today's pressing military issues, look at some recent history, not as a mechanical interplay of memorized events collected from a fact-stuffed illiterate's googling of the Internet, but as a lawfully ordered, dynamic process. Look at history not as gossip, but as a lawfully ordered, dynamic process, based on ideas, extended around much or all of the world, and over a span of time reaching back thousands of years. Look, first, at the origins of the two so-called "World Wars" of the just recently concluded century.

1. Two World Wars and More

To begin, take the case of what is called "World War I." On numerous earlier, public occasions, I have pointed to the facts about that war. However, the inclusion of the following crucial facts about that history, here, is a required element of the list of crucial facts to be considered in beginning to address the escalating, deadly global issues facing us now.

Without considering those often ignored facts, we can not understand modern warfare and its relevant ancient and medieval roots in the way the intelligent and worried U.S. citizen would wish to know the truth today. Until and unless the popular and kindred falsification of the history of those developments, is replaced by the true facts of the situation, it would be almost impossible to prevent existing nations from repeating follies which are, in principle, the same kinds of errors as the Senate's vote for the Iraq war: errors which carry a heavier price today than on earlier occasions.

What is called "World War I" actually began in 1890 with a series of crucial events, among which the notably sufficient instances for our present consideration are the following.

The sequence of the great blunders by relevant leading states, began with the 1888 accession of a new German Kaiser and that Kaiser's discharge of his Chancellor, the great reformer Otto von Bismarck, on March 18, 1890. The new Kaiser, Wilhelm II, was the biological nephew, and dupe, of the British Prince of Wales, that then future King Edward VII who bears, still today, the principal personal guilt for organizing and motivating what was to become World War I. Wilhelm II's discharge of Bismarck was the first major,



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German Chancellor Otto von Bismarck: Kaiser Wilhelm II's discharge of Bismarck was the first major, preparatory step, by Germany, toward implementing the scheme of Britain's Prince of Wales (later King Edward VII) for what became World War I.



With the 1898 defeat of France by Britain at Fashoda, the residual patriotic forces remaining in France after the assassination of President Sadi Carnot (right), forces represented by Foreign Minister Gabriel Hanotaux (left), were pushed out, leading to the power alignments that put World War I into motion.

preparatory step, by Germany, toward implementing that Prince of Wales' scheme for what became World War I.

The next crucial steps toward a terrible war came in France, where the underlying motive of the Prince of Wales' intent for his dupes in France, was to break Germany's close relations with Russia, and to create the foundations of an Anglo-French, anti-Germany alliance with the Russia of the Prince of Wales' other foolish nephew, Czar Nicholas II.

"All," so to speak, " 'in the family.' "

To that same end, the President of France, the scientist-grandson of Lazare Carnot, was assassinated on June 24, 1894, and, in a related development, to the same purpose, the fraudulent charges and conviction, reeking of anti-Semitism, of France's Captain Alfred Dreyfus, were perpetrated on December 22, 1894. With the 1898 defeat of France by Lord Kitchener at Sudan's Fashoda, the residual forces remaining after the assassination of President Carnot, forces represented by French Minister Hanotaux, were pushed out, and the mechanisms began to be rapidly set into place for the later formal French alliance with Britain's King Edward VII. This was the alliance which was the crucial step toward setting the intended launching of what became World War I fully into motion.

In that process of change over the course of the 1890s, the patriotic impulses of France were swamped, increasingly, by a financier-controlled coalition of Synarchists of sundry Legitimist, Bonapartist, and leftist pedigrees and dispositions, constituting that war-party of World War I France which Georges Clemenceau led to the table at the Versailles Treaty of Paris, the same banker-controlled Synarchist International which, later, gave the world Adolf Hitler and so-called "World War II."

Betwixt and between those events of 1890-1894 and war, there were several additional developments of most notable relevance, beginning with the British monarchy's personal

orchestration of Japan's long-term role in the Far East, over the interval 1894-1945. The first Sino-Japanese war, the conquest of Korea, and the Russo-Japanese war, were a crucial, London-directed set of developments setting the pace for Pacific events over the entire span of 1894-1945.

The allies, Britain and France, set the Balkan wars into motion, thus ensuring the anti-Slavic alliance of the silly Austro-Hungarian Kaiser with Germany, and the role of a Turkey which had been destabilized by London's Synarchist "Young Turk" organization and the genocidal slaughters which London's "Young Turk" organization perpetrated within Turkey for the intended strategic benefit of the British Empire.

Inside the U.S.A., the British monarchy's preparations to advance the cause of Edward VII's war-party, included the opportune incident of the U.S. battleship *Maine* and the assassination of President William McKinley, the key among a combination of events which brought London's accomplice, the nephew and political protégé of the former head of the Confederacy's intelligence service, Theodore Roosevelt, into the Presidency. That pair of jingoists, that Roosevelt and Ku Klux Klan fanatic Woodrow Wilson, were chiefly responsible, politically, for establishing the Federal Reserve System and for launching the U.S.A. into playing a deciding role in shaping the outcome of World War I, thus preventing what would have been otherwise a virtually inevitable German victory, and defeat of the imperial legacy of England's Edward VII, on both fronts.²

2. Germany's own contributing, if secondary fault in the war springs, to a significant degree, from the reactionary policies of the Prussian monarchy which rejected those cultural accomplishments of the anti-Enlightenment Classical legacy of Lessing, Mendelssohn, Friedrich Schiller, the v. Humboldt brothers, et al., in favor of the Metternichean pro-fascism of G.W.F. Hegel and Savigny. This reactionary, Romantic current, with its



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World War I was rooted in London's fearful reaction to the triumph of President Abraham Lincoln both over the British puppet known as the Confederate States of America, and over London's direction of the invasion and subjugation of Mexico.

The same Anglo-Dutch Liberal financier interests which created World War I, by aid of such mechanisms, created the fascist movements and regimes which led Europe into a second World War. The crucial difference between this so-called world war and its predecessor, was U.S. President Franklin Roosevelt. The election of Franklin Roosevelt proved to be an immediate defeat for those U.S. financier circles which not only had supported the fascist Mussolini in Italy, but had joined the Bank of England's Montagu Norman in funding the insertion of Adolf Hitler into the German Chancellery, and Hitler's receipt of dictatorial powers, just weeks before the inauguration of Franklin Roosevelt. The relevant affinities were made clearer in the plot for a military coup d'état against the Franklin Roosevelt Presidency. President Roosevelt's leadership of the economic recovery of the United States produced, by 1940, a nation prepared for the mobilization which was to be the decisive factor in the defeat of Hitler.

But, no sooner had Roosevelt died, than the same Anglo-American financier circles which had backed Hitler's rise to power earlier, rallied around the long-term perspective of bringing the Roosevelt legacy to a grinding halt, and for launching a new world war, a special kind of 1945-1989 "Third World War," as they had the preceding two. It is that continued dedication to a "Third World War of a special kind," which supplied the impulses expressed by Vice-

existentialist offshoots, in Nineteenth- and Twentieth-Century German culture, was generously cultivated from London, and was fully expressed in the folly of the silly, duped nephew of Britain's Edward VII, Kaiser Wilhelm II.

President Cheney and Britain's Liberal Imperialist Prime Minister Tony Blair today.³

This time, the plan launched by the foe of Franklin Roosevelt, Britain's Winston Churchill,⁴ induced the U.S. Truman Administration to adopt the perspective later renewed by sometime U.S. Secretary of Defense and Vice-President Dick Cheney, the perspective of launching a pre-emptive nuclear war with the aim of eliminating the modern nation-state and establishing an imperial, Anglo-Dutch Liberal form of world government, such as that being pushed into the world's foreground today.

The present name of that new imperialist world order, is "globalization": global "free trade." It is a system in which governments either cease to exist, the category of so-called "failed states," or, as is intended for the U.S. itself, become merely the puppets of syndicates of financier cartels, puppets which are merely pawns of international financier institutions of the type illustrated by the current European Central Bank.

Why 'World War I'?

The Prince of Wales' motive for organizing what became known as "World War I," is rooted in London's fearful reaction to the triumph of President Abraham Lincoln over both the British puppet known as the Confederate States of America (CSA), and over London's direction of the invasion and subjugation of Mexico as part of British Lord Palmerston's orchestration of an 1861-1865 U.S. Civil War, which had been intended to break up the U.S.A. into a quarrelling pack of competing tyrannies.

With the death of Palmerston, and the growing personal incapacity of a widowed Queen Victoria, the campaign to destroy the U.S. constitutional form of national government fell, increasingly, under the hand of that Palmerston-trained Prince of Wales, sometimes referred to, more or less interchangeably, as "The Prince of the Isles" and "The Lord of the Isles."

Already, from the beginning of the U.S. Civil War, the shift of the U.S. Federal government, away from the "free trade" and related dogmas which had crippled the U.S. economy's prosperity, from the Andrew Jackson through Buchanan Presidency, there was a rising trend of net development in the territories of the Union. By the time of the 1876 U.S. Centennial celebrations in Philadelphia, the superiority of what was known as the American System of political-economy of Alexander Hamilton, the Careys, and the German-American Frederick List, was so evident that emulation of that American System spread throughout much of

3. Known technically as the "Limps," the Fabian war-party of H.G. Wells, et al. which were the principal guilty accessories in the crimes of Britain's Edward VII.

4. Cf. Henry A. Kissinger, Chatham House address, May 10, 1982, *passim*.



Library of Congress

King Edward VII, trained by the master of geopolitical manipulation Lord Palmerston, was also known as “The Prince of the Isles” and “The Lord of the Isles.”

South and Central America, and in such Eurasian nations as France, Bismarck’s Germany, Alexander II’s Russia, Japan, and elsewhere. The combination of rapid technological progress in agriculture and industrial development, interlocked with promotion of general welfare systems such as those adopted in Bismarck’s Germany, and the emergence of a significant U.S. naval power, was viewed with alarm in the Prince of Wales’ London, as a threat to the continued global imperial authority of the Anglo-Dutch Liberal financial-monetary, gold-standard system.

By the 1890s the name given by the British monarchy to the perception of that threat from the spreading influence of the American System was “geopolitics,” so named by Britain’s Mackinder and Germany’s Haushofer. As I emphasized in my Sept. 16, 2005 Washington, D.C. international webcast,⁵ and again with relevant remarks included in my “The Shape of Empty Space,”⁶ it was the combination of the rising economic power of the nations of continental and adjoining Eurasia, with the spread of the influence of the U.S. pioneering in transcontinental railway development, which threatened to shift the predominance of global power from maritime power, to land-based economic development.

As the speed and efficiency of rail-transport was increased, not only were areas earlier economically inaccessible to efficient transport of bulk freight made competitive with water-borne transport, but transport along interior land-routes by rail had the double advantage of not merely competing

effectively with ocean-borne freight, but also of developing regions of nations otherwise hampered by lack of direct access to large-scale water-borne transport. Thus, the combination of the U.S. national rail-system, the extension of the navigable river-system between the Alleghenies and Rockies, and the Great Lakes as a transport medium, defined the development of U.S. machine-tool-keyed heavy industry in Western Pennsylvania, the Buffalo, New York area, Michigan, Ohio, Indiana, Illinois, and so on. The growth in density of agriculture and industry, per capita and per square kilometer, over the course of much of the Twentieth Century, illustrates the point, as does the devastating pattern of decline and ruin of these same regions over the course of the recent three decades. [See **Figure 1.**]

As a result of the form of progress led by the post-Gettysburg U.S.A., the productivity of a national territory per square kilometer was increased in ways not possible otherwise. Thus, through these combined benefits, land-based transport was made more than competitive with sea-borne transport. This economic gain had a congruent impact upon strategic military potentials.

Only long-range strategic aerial bombardment threatened the growing advantage of rail for interior economic development, where highway transport was emphasized as a complement, and then rival to rail.

To sense the history of those times, look at the changes in the U.S.A. since the time John Quincy Adams systematized U.S. diplomacy in his role as Secretary of State under President James Monroe. Not only had the “insolent Americans” burst free of the Allegheny boundaries, which the French and British colonial powers alike had sought to enforce, but through the Louisiana Purchase and complementary developments, Secretary Adams was able to efficiently define the United States as a continental power spread from Atlantic to Pacific, with northern and southern continental borders approximately those of today.

To consolidate and develop this vast territory, the American patriot, often a West Point graduate working as an engineer, had addressed the challenge of integrated development and security of what was, by European standards, a vast territory. Although the genesis of the later transcontinental railway system was already in motion under the guidance of Frederick List, the development of the actual transcontinental system, and the matching rapid expansion of the production of grains from within the territory thus opened for development and commerce, became the model dream of the enlightened statesmen and others of continental Europe and nearby Eurasia.

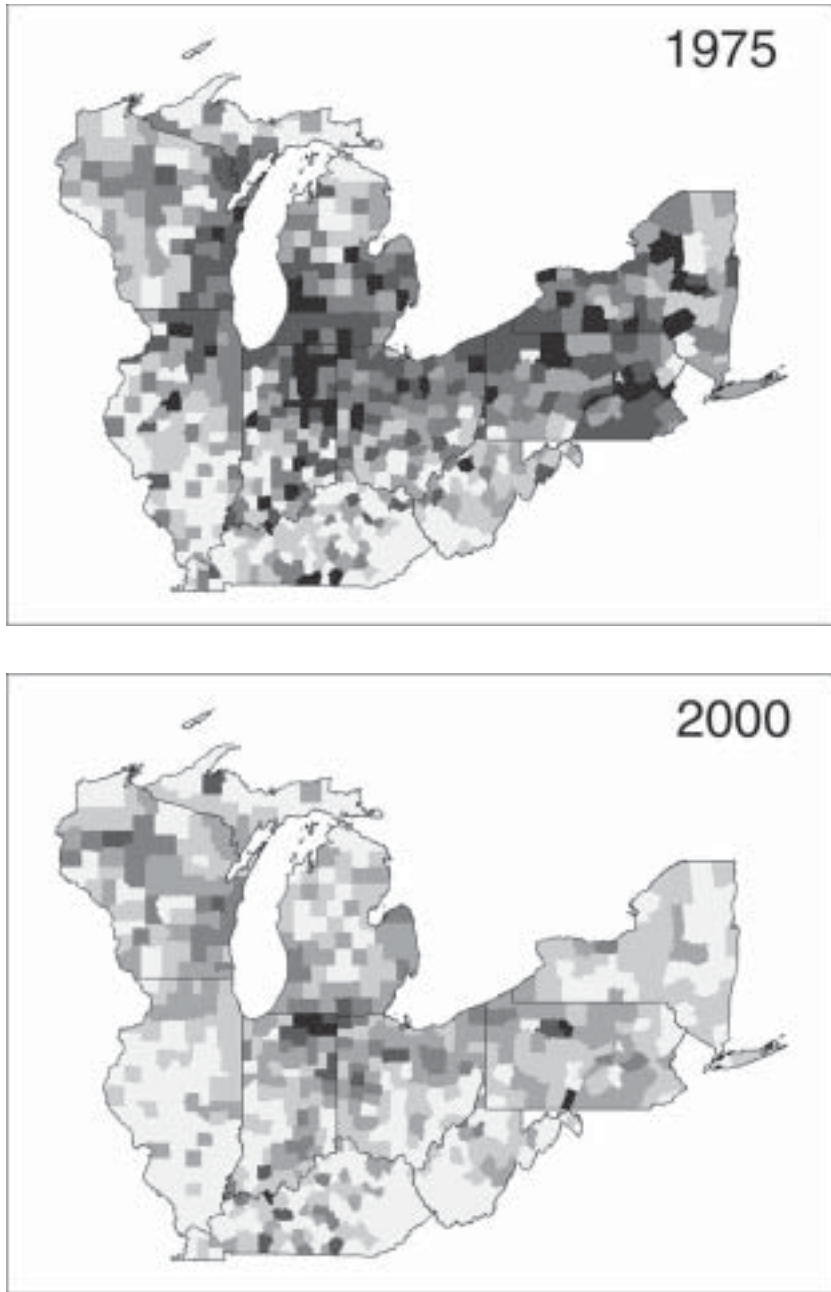
As I have demonstrated by aid of my published treatments of the work of V.I. Vernadsky on the subjects of the Biosphere and Noösphere, the strategic implications of this U.S. transcontinental development reach far beyond the comprehension of the leading policy-shapers of that time, but the implications of what I have been able to present in my writings were

5. “Revolutionary Transformation After Hurricane Katrina,” *EIR* Sept. 23, 2005.

6. “From Kant to Riemann: The Shape of Empty Space,” *EIR* Oct. 7, 2005.

FIGURE 1

U.S. Industrial Belt, Decline in Manufacturing Workers As Percentage of Workforce, by County, 1975-2000



Source: Bureau of Labor Statistics. Map produced by MapInfo.

Darker tones show greater percentages of manufacturing workers.

already implicit.

Under the impact, and further implications of such trends, the neo-Venetian form of maritime power of Anglo-Dutch Liberalism could not be maintained into the foreseeable future. The Prince of Wales' drive for what became known



as World War I ensued. The shift of the definition of strategy to British Admiral John A. Fisher's "dreadnoughts" and the complementing definitions of strategy as essentially geopolitics, were reflections of this reaction to the perceived threat posed to the British imperialists by the rise of the U.S. economy, and its influence throughout much of Eurasia and the other parts of the Americas, during and after the U.S. Presidency of Abraham Lincoln.

Grand strategy was now explicitly geopolitical, and had already become so implicitly before the Mackinder-Haushofer rivalry became known by that name.

The British strategic reaction to these and related implications of the threat from the influence of the rise of U.S. economic power, was twofold. First, simply crush the nations which threatened to continue economic development along the lines of the model of the American System of political-economy. Second, seek to virtually eradicate generalized scientific and technological progress in economy from the planet. Two World Wars were the expression of the first alternative. The spread of the wild-eyed cult of the so-called "environmentalist movement," has reflected the choice of the second alternative.

Both of these Anglo-Dutch Liberal reactions against the influence of the American System of political-economy, can be properly seen, in first-approximation terms, as simply strategic knee-jerk reactions of the Liberal-Imperialist interest; but, there is also a much deeper, and more deeply impassioned reflection of the an-

cient cult of Dionysius' legacy spilled over from ancient times into modern life, as the case of the existentialist Friedrich Nietzsche illustrates that point, and as the case of the Olympian Zeus from Aeschylus' *Prometheus Bound* illustrates the same connections.

2. 'Kill Even the Memory of FDR'

To understand the world's perilous situation today, we must consider the preparations and consequences of World War II in retrospect. One of the most crucial clues to understanding that process to date as a whole, is the case of Banque Worms, one of the relatively most exposed of the creatures of that fascist movement among international private bankers, which is known as the Synarchist International. Banque Worms was discreetly put away in the aftermath of that war; the network of organizations which served as a front for Banque Worms in those relevant past times, remains today. That latter cabal is among the principal threats to civilization world-wide today.

The most relevant highlights of that part of the strategic study in progress here, are as follows.

Initially, the Anglo-French imperial plan for World War II did not intend the inclusion of a U.S. war-time partner for a second time. Without taking into account the British motive for that initial intent to exclude the U.S.A. from Anglo-French intentions for a "second world war," there could be no competent understanding of modern European and world history, dating from that time to the present day. Therefore, to understand the present world situation competently, we must first consider this often-neglected, crucial feature of Twentieth-Century history as a whole.

The original intention of the British Empire's plan for a second world war, had been one more replay of the war-policy which had been used to give birth to the empire of the British East India Company at the February 1763 Treaty of Paris. It had been the Anglo-Dutch Liberals' orchestration of the so-

called "Seven Years' War," the war which had unleashed that mutual weakening of the nations of continental Europe, through which the initial phase of imperial, maritime-based supremacy of Britain was brought into being with that Paris Treaty.

This "Seven Years' War" is a distinct phenomenon, in the respect that it generated the initial establishment of the British Empire as an empire of the British East India Company. However, to understand how and why the Anglo-Dutch Liberal interest orchestrated the particular kind of policy which produced the Seven Years' War, we must study the way the Anglo-Dutch Liberals lured France's defective, Fronde-allied "Sun King," Louis XIV, into the Dutch wars, against the warnings of Jean Baptiste Colbert. These were the wars which consolidated the Anglo-Dutch Liberal monarchy's rule over Britain.

It is, therefore, of crucial importance to recall, that it had been Cardinal Mazarin who had played the key role in bringing about the 1648 Treaty of Westphalia, which ended the 1492-1648 reign of Venetian-orchestrated religious warfare in Europe, and that France under Mazarin and Jean Baptiste Colbert launched the modern economy which had a spirited development, centered in France. This benefit continued, until Louis XIV's follies ruined France by plunging into the trap of those Netherlands wars which established the Anglo-Dutch Liberal forces as a leading, maritime-based power in Europe. It was this experience which shaped Anglo-Dutch policy in the orchestration of the Seven Years' War.

Since the Anglo-Dutch Liberals' imperial triumph in the Seven Years' War, new wars based on that model had been the continuing chief source of the repeated ruin of the continent of Europe, and of Eurasia. It was this British policy and its



During the Seven Years' War (1756-1763), the Anglo-Dutch Liberals battled to control the nations of continental Europe, and to maintain colonial rule in North America. The war concluded with the Treaty of Paris in February 1763.



The British Empire was initially established as an empire of the British East India Company, which looted China by means of the opium trade. Here, Chinese authorities are shown fighting back by destroying an opium crop. Britain responded to such insubordination by waging the Opium War of 1839-1842.

practice. rooted in the model of the Seven Years' War, which had been the original source of the recurring mortal conflict between the future U.S.A. and the British Empire.

It had been the orchestration of the French Revolution by the British Foreign Office and the Martinist freemasonic agents, which had used both the Reign of Terror and the Napoleonic wars to do again to continental Europe what had been tried in the Seven Years' War. British naval supremacy kept Napoleon bottled up on the continent of Europe, while the depletion of Europe by Napoleon's continental wars worked to the further enhancement of British imperial supremacy throughout the globe.

Meanwhile, these developments, beginning Summer 1789 in France, isolated the young U.S.A., an isolation which was exploited by British Foreign Office assets of Jeremy Bentham, such as agent Aaron Burr, and such Burr followers as a series of British-controlled U.S. Presidents, from Andrew Jackson through Martin van Buren, Polk, Pierce, Buchanan, and 1864 Democratic Party, pro-separation Presidential candidate McClellan. Up through and beyond the Union victory at Gettysburg, London had been committed to the reconquest, or destruction of its lost colonies. From 1863-1865 on, the British imperial policy adopted a relatively more realistic approach, of working for the ruin of the American System of political-economy, with the intention to subvert the young U.S.A. from within, by promoting London's New York- and Boston-centered London financier assets, with the long-term objective of bringing the U.S.A. within the embrace of the British Commonwealth.⁷

7. The cases of the immigrants Henry A. Kissinger and Zbigniew Brzezinski are prominent illustrations of this policy. Both obtained their prominent careers in U.S. life through processing through the de facto "courtesy" British

London-linked New York bankers included such heirs-in-fact of Aaron Burr as the architect of the 1837 Land Bank Swindle of Martin van Buren, Jackson's political controller. Bankers such as van Buren and August Belmont, controlled the Democratic Party from Jackson through Woodrow Wilson, and assumed increasing degrees of control over both the Republican and Democratic Party machines of New York City, producing, thus, the Theodore Roosevelt, Woodrow Wilson, Coolidge, and Hoover Presidencies. The later Presidencies of Truman, Nixon, and father and son Bush, have been crafted and controlled by the same Anglo-American financier-oligarchical gang, the London-centered crowd which hated the patriot Franklin Roosevelt while he was alive, and has hated him ever more since he died.

The Nineteenth-Century, and still later wars in Europe, and related conflicts within the Americas, up through 1932, were also essentially Anglo-Dutch Liberalism's imperial exports, designed to defend and enforce the reign of the British fleet and gold standard upon the world at large. Do not be shocked! How could it have been otherwise? The British East India Company had established an empire in the February 1763 Treaty of Paris, an empire which Shelburne's ideologue

intelligence operation run at Harvard University's department of government, by Professor William Yandell Elliott. Elliott was a representative of an organization, the Nashville, Tennessee-based "Nashville Agrarians," founded by grandchildren of leaders of the racist Ku Klux Klan. Elliott was a proponent of the assimilation of the U.S.A. into the British Commonwealth, through subversion. Kissinger's May 1982 address at London's Chatham House, in an event commemorating the founding of the British Foreign office under Lord Shelburne, is typical. On that occasion, Kissinger praised the U.S. rejection of Franklin Roosevelt's post-war policies, in favor of those of Winston Churchill, and defended the British system against the American System.

Gibbon intended should make itself eternal by avoiding such alleged fatal mistakes of ancient Rome as tolerating the intrusion of Christianity into statecraft. Britain had secured a neo-Venetian financier-oligarchical empire, and intended to build and maintain it forever in one guise or another. *Only a silly, Romantically sentimental goose would be shocked to hear that the British Empire acted in ways intended to be as thoroughly and effectively imperialistic as possible!*⁸

All the major wars of Eurasia's Twentieth Century, from 1894 on, belong under the same overarching category as the Seven Years' War and Napoleonic wars, as instruments crafted in nominally British imperial interest. As Lord Shelburne's Gibbon specified these long-term, Anglo-Dutch Liberal goals, these wars have been crafted and conducted in fully witting emulation of the imperialism of ancient Rome and the medieval *ultramontane* imperialism shared by the Venetian financier-oligarchy and its partners of the Norman chivalry. With one crucially important qualification, the three great wars, including what came to be known as "the Cold War," of 1945-1989, were no exception.⁹

8. The popularized, silly-geese variety of socialist myth, that contemporary European imperialism is an outgrowth of "industrial capitalism," ignored two of the grossest of the elementary facts of all European ancient through modern history. Imperialism came into European experience from the Babylonian core of the Achaemenid Empire in its role as a successor to, and continuation of the Babylonian cultural legacy. It was introduced largely through the influence of the Apollo Delphi cult, which was itself an ancient center of the practice of usury throughout the Mediterranean, and was the origin of Latin Rome. (Hence Rome as the Apostle John's "Whore of Babylon.") The characteristic of imperialism throughout all European history since that time, has been the financier-oligarchical role associated with such models as ancient Tyre and all imperial systems, such as Rome, Byzantium, and the medieval *ultramontane* system of the Venetian financier-oligarchy and its ally, the Norman chivalry of Crusades notoriety. As a competent economist such as Rosa Luxemburg understood, modern European imperialism was entirely a product of financier-oligarchical international loans, chiefly by the London-centered, Anglo-Dutch Liberal financier oligarchy. The mythical version of "imperialism" proffered by Lenin, et al., was concocted in service of the myth that the "stage" of socialism was born within the automatic internal evolution of the British system of the Haileybury School in which Karl Marx had been indoctrinated by Lord Palmerston's intelligence services.

9. It would be a typical error of the modern empiricist, to argue that such imperialist policies have been a natural secretion of the British population, or of the territory which that population inherits. The most important feature of any nation's population, is that it is composed of human beings, who are naturally creative, and therefore good, as members of their species, but who are subjected to systems of government and culture in ways which define the nation's immediate national character at a given time. Nor is that the end of the story; systems change, and are changed, in part through developments which have been ongoing within that population over long preceding periods. The states of the national system in all of these changes in its "phase space," even in its bare existence as a specific national system, can only be efficiently understood through the application of Bernhard Riemann's development of the notion of the kinds of specifically anti-mechanistic, dynamic processes which Riemann has defined as Dirichlet's Principle. Here, our emphasis is upon the Anglo-Dutch Liberal system's controlling influence over the domestic and foreign roles of the British Empire, not some racial characteristic of the British population in general.



"The later Presidencies of Truman, Nixon, and father and son Bush, have been crafted and controlled by the same Anglo-American financier-oligarchical gang, the London-centered crowd which hated the patriot Franklin Roosevelt while he was alive, and has hated him ever more since he died." Here, FDR in 1942, reviewing progress in the war in the Pacific.

That said as preparatory remarks on background, now proceed to the early 1930s, before the British Empire decided, coincidentally, to dump King Edward VIII, and to bring Franklin Roosevelt's U.S.A. into the game.

The Anglo-French, Sykes-Picot-like strategic outlook of the 1920s and early 1930s, had been premised largely on the memory of the surprising economic and military power which the U.S.A. had shown in securing the Allied victory in World War I. The fear was, that including the U.S.A. as a participant in the first World War, experience had shown that under conditions of a second world war, a United States led by Franklin Roosevelt would end up as the dominant world power, dwarfing the British Empire. It was only to the degree that France and Britain discovered that the German attack would open to the West, first, and only later against the Soviet Union, that forces of terrified London and its Paris ally came reluctantly to share Winston Churchill's view of the U.S. alliance as the lesser evil.¹⁰ It was not any goodness in Churchill which was responsible for his role on this account; it was his loathing of the prospect that Herr Hitler might gobble up the British Empire. Otherwise, the British establishment, including its imperial Fabian element, was largely pro-Hitler, as Averell Harriman's banking partner, the Bank of England's Montagu Norman, had been in putting Hitler into power in the first place.

10. From the German military standpoint, the Schlieffen Plan's approach to the hazards of a two-front war reworked.



Richard Count Coudenhove-Kalergi was employed by the Synarchist International in the effort to install a fascist government in Germany. He later emerged as the leader of Pan-Europa.

The relevant Twentieth-Century, British view of the U.S.A. as an adversary, had been exhibited already in the naval parity disputes of the immediate post-World War I period, when the British plan for the Japan naval attack on Pearl Harbor was hatched as part of the plan for a naval alliance of Britain and Japan against the threat of U.S. naval power's development.

This Japan war plan of the 1920s, later carried out in December 1941 without the British ally of the 1920s, had been originally intended as part of a joint British-Japanese, two-front naval assault on the United States, with the intent of doing to the U.S.A. what Admiral Nelson had done to France at Trafalgar.¹¹ Times and sides had changed, but the actual issue of the court-martial trial of General Billy Mitchell was, as Mitchell stated at his hearing, the issue of U.S. use of aircraft-carrier-based air power in the Pacific in defense against what U.S. intelligence had already defined, from the period of the early 1920s, in U.S. naval war plans, as the pending operational threat of Japanese attack on Pearl Harbor, as a Japanese component of a British plan to demolish U.S. naval power.

From the aftermath of the Versailles Treaty, the policy of the British imperialist and France-based Synarchist International, had been to install a fascist government in Germany, using elements such as those associated with Coudenhove-Kalergi and what was later restated as a doctrine of "total war," to strike against the Soviet Union, and then to fall upon the rear of a Germany whose forces were deeply mired in Soviet territory. This was the period during which British imperialist assets inside the U.S.A. formed the America First Committee, which intended to prevent the realization of the U.S. capability for military intervention against the war for

11. This turned up in other wars, in World War II, in the form of one more pro-British element of a certain faction of the U.S. Navy's hostility to General Douglas MacArthur in the Pacific.

which Anglo-French allied circles were preparing at that time.¹²

Stalin and Soviet intelligence also knew the game, and had an experienced revolutionary's fearful appreciation of the internal danger from left-wing and other assets of the Synarchist International inside the Soviet system itself. Perhaps Stalin knew, by then, that the notorious "Parvus" had been a Zubatov-linked British agent, or not, but he was convinced of something to that general effect. Essentially, therefore, Stalin approached the relevant military and related circles in Germany, putting strong emphasis on the fact of the Anglo-French intent to fall upon the rear of a Nazi thrust into the Soviet Union.

The rebuff which the British and French governments gave to the mission of visiting Soviet Marshal Tukhachevsky, was the crucial development which left Stalin no visible option but to proceed with continuing negotiation of Molotov's pact with Ribbentrop.

The fact that the turn to a German assault on the western front first, was under serious negotiation between Soviet and German back-channel and other representatives, prompted a growing portion of those, such as New York's Brown Brothers, Harriman, who had funded Hitler's coup d'état effort, to break with their former protégé Hitler. By the point of the Dunkirk evacuation, a Winston Churchill who was a backer of fascism, second, but the British Empire first, made the formal step of a pact with President Franklin Roosevelt on transfer of the British fleet to Canada should Hitler's forces land in Britain.¹³ The subsequent victory over the Axis powers at Midway and Stalingrad, already defined a continuing U.S. engagement in a two-front, global war, a prospect of global victory which Roosevelt's policies and role had, in principle, already thus snatched from the paws of Hitler's regime.

Then, even before President Roosevelt's death, during the early months of 1945, Churchill et al. had gone back to their

12. There was never any essential difference between the doctrine of "total war" formulated out of the experience of World War I, and the Roman imperial tradition of perpetual war. This is the same modern British Fabian doctrine of war represented by British asset Alexander Helphand's ("Parvus's") equation of "permanent revolution" with "permanent warfare." These were the traditional practices of empire throughout history since ancient Babylon and the Persian Empire. It was this which planted the seeds of the fascist neo-conservative in the ranks of sundry Trotskyist circles, for example. It is urgent that we emphasize the absolute distinction between a war to establish or defend a nation-state premised on the principle of the general welfare, and conflict orchestrated to prevent, or overthrow a republic based upon the principle of the general welfare. Any purely military, or similar doctrine of conflict is, therefore, implicitly fascist, whoever teaches, or practices it.

13. Churchill had been a long-standing backer of Benito Mussolini's fascist dictatorship up to the verge of World War II, and was, later, desperate to seize and cull the papers which were being carried in the van accompanying the last ride of Mussolini and his paramour toward a Swiss border meeting with Churchill. The papers later turned up, minus papers referring to Mussolini's liaison with Churchill.

earlier overt backing of the financier forces which had put Mussolini, Hitler, and Franco into power. The issues of the early 1920s naval-power conflict between the U.S.A. and Britain, came to the fore in a new way.

The Banque Worms Scandal

What became known as Twentieth-Century fascism had been born in France, as part of an operation directed by London's Lord Shelburne, which was aimed to destroy the alliance between France and the newborn United States of America. The latter operation, which was set in motion during Shelburne's 1782-1783 term as Britain's Prime Minister, was coordinated by the circles under the operational boss of the political operations of the British East Company, Lord Shelburne, using agents associated with the circles of the notorious Voltaire in France. Relying upon cooperation within the section of international freemasonry violently opposed to the international networks of the influential scientist and statesman Benjamin Franklin, they created the London-directed freemasonic association, the Martinists, which prepared and both orchestrated the French Revolution of July 1789, and controlled the career of Robespierre asset Napoleon Bonaparte, and its outcome, through a point long after Napoleon's death, all the way into Napoleon's successor Adolf Hitler, and beyond.

The Martinist freemasonic order, which has been the most freakish of important orders of this nomenclature, was a late Eighteenth-Century spin-off of the freemasonry brought into London, from Venice, during the Sixteenth Century. On record, the Martinist freemasonry itself was founded in France about 1785 by the notorious charlatan Allessandro Cagliostro, the architect of the "Queen's Necklace" against the Bourbon monarchy, together with the also notorious Giovanni Casanova. This was the instrument used, by the British East India Company's sometime British Prime Minister Lord Shelburne and the British Foreign Office, to orchestrate the French Revolution of 1789 and the ensuing Terror from which the career of the tyrant Napoleon Bonaparte sprang, to dominate, and ruin continental Europe over the 1789-1815 interval. This organization continues to the present day in its incarnation as the Synarchist International which launched the pre-1914 Balkan war and the fascist movements of the 1922-1945 interval, through Martinist-Synarchist figures such as the Giuseppe di Misurata who was associated with the notorious Parvus and Jabotinsky in London's pre-World War I Young Turk operation and the creation and supervision of the fascist regime of Benito Mussolini. The Martinists and their Synarchist organization spring from outgrowths of the Venetian financier oligarchy of the early Sixteenth Century, and remain principally an instrument of the international slime-mold of the relevant network of private bankers in the Venetian tradition, to the present day.

The British assets associated with the anti-Leibniz circles of Shelburne's operations in France, included not only the



Although some people, still today, consider Napoleon Bonaparte as a hero of modern France, he was in fact a creation of the Martinists and Robespierre—and the predecessor of Adolf Hitler. Here, "Napoleon Crossing the Alps," by Jacques-Louis David.

passionate hater of the young U.S.A., Shelburne's puppet Adam Smith, but Philippe Egalité, the Swiss banker Jacques Necker, Robespierre, Robespierre asset Napoleon Bonaparte, British Foreign Office agents Danton and Marat, and so on. This was the circle which ran Cagliostro's "affair of the Queen's Necklace," an important act in launching the hatred and later guillotining of the Bourbon monarchy, and other operations all channelled through a branch of freemasonry sponsored by London, the Martinist order of circles of Voltaire and of the notorious master Martinist Count Joseph de Maistre, et al.

It was de Maistre's Martinist freemasonic doctrines which embodied the slaughter of the Terror under Robespierre, a slaughter designed by the de Maistre, who also designed the personality and imperial role of Napoleon Bonaparte according to the model of "executioner" (e.g., the Guillotine), which de Maistre used to identify the model implied by the historical Spanish Grand Inquisitor Torquemada, the Torquemada who was the spiritual forerunner of the Nazi Adolf Hitler regime's crimes against Jews in particular, and, like Hitler's forerunner Torquemada, also humanity generally.

Once Admiral Nelson had won the crucial battle at Trafalgar, Napoleon was bottled up within continental Europe, where his role, thus assigned to him by Britain in this fashion, was to bleed France itself almost to death, while destroying



Adm. Horatio Nelson, who beat Napoleon at the Battle of Trafalgar, advancing Britain's geopolitical control of the continent.

The Battle of Trafalgar, Oct. 21, 1805. Once Britain's Admiral Nelson had won the crucial battle there, Napoleon was bottled up within continental Europe, where his role was to bleed France itself almost to death, while destroying the other nations of the continent.

the nations of the continent, as the earlier Seven Years' War had paved the way for the establishment of the British East India Company as an empire at the fateful February 1763 Treaty of Paris. Some people, still today, curiously, regard Napoleon as a hero of modern France.¹⁴ I would prefer Jeanne d'Arc, Louis XI, Cardinal Mazarin, Jean Baptiste Colbert, Lazare Carnot, and Charles de Gaulle, and also, in a certain important sense, the lovely historical irony of the Richmond who followed Louis XI in more than one respect, as England's Henry VII.

G.W.F. Hegel, whose pedigree as a Metternich agent, and in other capacities, still has to be fully sorted out, became an impassioned admirer of Napoleon about the time of Napoleon's destruction of Germany's independence at Jena-Auerstädt, but later, after Napoleon's defeat, transferred this affection from the loser to the victors, and became the devotee of some future German ruler of a system, not based on Classical German culture, but the hateful opposite. He crafted a lunatic vision of a future totalitarian state, a Romantic folly with the prescribed hallmarks of a fascist (i.e., neo-Roman) form of the future German state according to Savigny's law,

14. Cf. Heinrich Heine (and the setting by Robert Schumann) of Heine's "Two Grenadiers." Heine aptly expresses not only the tragic character of the French under Bonaparte, but the lunatic passion which blinds so many in France, in Heine's lifetime and now, on both the subjects of July 14, 1789 and "Sun King"-like, paganist image of Napoleon, to the present day. Notably Bonaparte, like Louis XIV and the George W. Bush, Jr. Administration of Gingrichites Karl Rove and Tom DeLay today, sought to use the name of Christianity as the basis for creating a pagan religion fraudulently named "Christian," an arrangement which produces the spectacle of Bush claiming to have talked with God, when the phone-number he was calling was that of Dick Cheney.

a future state with the hallmarks of Professor Leo Strauss's benefactor, Crown Jurist Carl Schmitt. Hegel has become, with the help of Professor Leo Strauss's Kojève, an integral part of the Martinist (e.g., Synarchist-fascist) legacy in France today.

The roots of modern fascism are found in the Martinist order and the Martinists' image of Napoleon Bonaparte. They were re-enforced by the regime of Napoleon III. The Martinist freemasonic cult was used to found a French rival to Lord Palmerston's ironic, personal creation of both the Marxist and Anarchist movements, a rival which adopted the name of Synarchism. The Synarchist organization, built around a Martinist core, was used by a kind of slime-mold-like organization of, chiefly, a core circle of French private banking interests. This banker-run concert was the illegitimate mother of numerous explicitly fascist organizations in Europe, but was never able to establish a modern fascist form of government independently in France itself, until that Nazi victory in France, which had been assisted by the Synarchist International, brought about the relevant pro-Satanic political miracle in the guise of the France of Laval and Vichy.

The first notable fascist regime was founded in Italy as an ideological import from France, and under the direction of a well-known British agent, the banker Giuseppe Volpi di Misurata, noted for his former service to the British empire, together with Helphand (Parvus) and Jabotinsky in the Young Turk operations. So, using imported French Synarchist ideology, Volpi designed and directed the launching of the Mussolini regime. The same logic applied to the rise of the fascist movement in 1920s Germany, in which the same Parvus played a notable role.

During the period from about 1931-1933, circles associ-

ated with the Bank of England's asset Hjalmar Schacht formed the Bank for International Settlements (BIS), as a new arrangement to supersede the rotted-out British gold-standard system, at least for a time. One of the crucial items of business this presented was the reorganization of the existing Germany war-debt balances. This was resolved by having Germany's municipalities and corporations assume the debt, an arrangement under which bonds were issued to creditors such as Harriman et al., in New York, and similar locations, in part through French financial channels. Later, when British and BIS asset Hjalmar Schacht was made the economic dictator of the Nazi Germany economic system, this refinancing of Germany's World War I war debt became the most important of the mechanisms by which the relevant foreign creditors, not Nazi potentates like Hermann Göring of Göring Werke notability, actually owned the Nazi economic system during the war, and after the surrender. (Shades of Cheney, George Shultz, and Halliburton!)

A pivotal continental feature of the resulting arrangements was the matter of disposing of France's Banque Worms, which had been put up as a front for collaboration of relevant French Synarchist private-banking circles within the Nazi system. Soon after the death of President Franklin Roosevelt, the process of de-Nazification of relevant financial interests seemed to evaporate, as the U.S. Truman Administration built up its mobilization in support of the celebrated pacifist Bertrand Russell's 1946 doctrine of world government achieved through the pre-emptive launching of general nuclear warfare.

The shadow of the nominally deceased Banque Worms, hovered over the U.S.A., and the world at large, under President Harry S Truman and the lying reputation of avowed nuclear mass murderer Bertrand Russell as "a man of peace."

Once President Franklin Roosevelt had died, Truman was brought in, more or less fully, into the intentions of Winston Churchill. The surrender negotiated with Japan through the channels of the Vatican office of Monsignor Montini was suspended until the opportunity to drop the nuclear weapons on Hiroshima and Nagasaki had been realized. Immediately, as soon as the surrender of Germany was in place, the transition to the plans for the new war with the Soviet Union was under way. After Hiroshima and Nagasaki, the Bertrand Russell doctrine of mobilization for pre-emptive nuclear warfare against the Soviet Union was set in motion. Now was the time to proceed toward the empire's settling accounts with the hated Franklin Roosevelt legacy. After the next world war, there would be no United States threat to the establishment of the permanent world empire of Anglo-Dutch Liberal imperialism.

The end of history would be the establishment of that permanent world-empire, called "globalization" today. The "end of history," because it was determined that there would be nothing to come after the establishment of the Anglo-Dutch Liberal system's version of a new, truly world-wide, and eter-

nal Roman Empire, as Shelburne's Gibbon had intended.

The Synarchist International was rehabilitated under what is fairly described as the patronage of the Dulles brothers; and even selected, essential elements of the Nazi apparatus itself, such as what are termed as "the spoon-benders," were assimilated into what became known as the NATO system, while Franco's fascist Spain was used for a large-scale revival of the Nazi network inside Mexico and throughout Ibero-America generally.

This is not to say, or to imply, that all the relevant post-war opponents of President Franklin Roosevelt's policies were sympathizers of the fascist regimes in Europe. Some, in fact, had been; some, as the conduct of Allen Dulles and some other prominent families attests, still were.

The guilt inhering in those crimes against the cause for which we fought what is called "The Second World War," came from a higher rank in the world's reigning powers than the fascist organizations of those times. The evil done was of a more ancient tradition, and much higher rank than any fascist officials of the 1922-1945 interval. There was a distinctly treasonous aspect to the turn against Franklin Roosevelt's legacy from high-ranking U.S. circles, but that evil was conceived and conducted on behalf of a more ancient cause, the ancient cause of Babylon, and of the influence of the Babylonian tradition in European civilization since the founding of the Apollo cult at Delphi, the tradition we may recognize today as the millennial role of the reign of institutions of usurious financier-oligarchy in the world-wide history of globally extended European civilization to the present day.

The enemy is those powers today which demand that the institution of the sovereign nation-state either be eradicated, or reduced to a house-lackey of the permanently reigning tyranny of a slime-like horde of financier oligarchy. The crime of that enemy is not only its zeal for eradicating the sovereignty of national self-government by nations, but the eradication, from reigning law, of that principle of the general welfare which is the essential practical distinction of man from beast.

That is the truth behind what King Edward VII did, and the truth behind what the naive might suppose to have been the secret reasons for those awful and mysterious events called general wars and threat of such global warfare during the recently concluded century.

3. What Is, or Is Not Economic Science

To a very large degree, the virtually treasonous objective of the 1945-1946 turn against the legacy of President Franklin Roosevelt, has succeeded. Hopefully, this is not irreversible, and is something which is already in the process of being changed under the presently escalating conditions of world crisis. In the meantime, until some recent marginal, but hope-



EIRNS/Brendon Barnett

“What was done as the ruin of a nation by the youth of a past generation, must often be repaired by forceful assistance from the youth of a new generation.” Here, members of the LaRouche Youth Movement in Los Angeles study the curvature of a torus.

ful changes during the course of the present year to date, the enemies of Franklin Roosevelt’s economic recovery had transformed the U.S.A. from what it had once been, into the bankrupt mass of wreckage it has become during the course of the recent three-and-half decades.

At the present moment, the economies of the U.S.A. and Europe are still a mass of rapid, indeed presently accelerating disintegration; since the Autumn of 2004, there has been hopeful change, to date, a shift into a strong, growing tendency for change back toward the Franklin Roosevelt legacy, a change now struggling in the effort to come out of its womb.

However, unless we are able to continue to reverse the past four decades’ trends in politics, and economy, the trend in culture would continue to be that we have experienced since the 1962 missile-crisis, the assassination of President Kennedy, and the launching of that official U.S. war in Indo-China which had set into motion a cultural paradigm-shift whose effect would be that civilization on this planet will soon be ended, for a period as long as, or more than, a generation to come. If this desired reversal is not consolidated, very soon, we have now already entered into the opening phase of a planetary new dark age, a period of a generation or more of a dark age comparable to, but worse than that of Europe’s Fourteenth Century.

The possibility of defeating that threat of a New Dark Age, clearly exists as our option of this moment. But that opinion will be realized only if we choose to abandon what have become the established cultural trends with the current withering of the earlier role of leadership which had been played by my own generation. This means, for the Americas,

Europe, and Japan, most emphatically, a sharp and early reversal of every part of the trend associated with that change, away from that agro-industrial society, which was still prevalent forty years ago, a sharp turn toward a so-called “post-industrial” culture. In the U.S.A., that happier choice, away from a self-doomed “services economy,” back to a mode associated with memory of FDR, will not be made, unless the following point is more or less clearly understood by the relevant trend-setters of this moment of world history.

Recent months’ developments have demonstrated, that such a needed change, away from “post-industrial” ideology, can be induced, if only because of the growing pressure from a mobilized movement of young-adult youth on an often reluctant “Baby Boomer” generation in power. This fact, shown by recent experience, should not have surprised us; it is one of the lessons of history which a wise kind of currently dominant layer of society should never forget. What was done as the ruin of a nation by the youth of a past generation, must often be repaired by forceful assistance from the youth of a new generation. The difficulty in such a case, is that the older generation tends to react with rage against the younger generation’s challenge to the decadence which had become characteristically habituated among the older generation. The conflict posed by that challenge can not be avoided; it must be accepted as the birth-pangs of a new and better age.

The nearest precedent for what must be done in the Americas and Europe now, is to be recognized from study of the role of the U.S.A. under President Franklin Roosevelt, a role which shaped U.S. history, and, as it turned out, also world history, from the first day of President Roosevelt’s Presidency

until its end. On this account, the success of Franklin Roosevelt's rescue of the economy from the wreckage wrought by Coolidge, Hoover, and others before him, was a change fairly described at first glance, as a crucial reform of economic policy. However, there is a certain danger in the misleading suggestion that the difference was "only economic," or "chiefly economic." That is the point to be clarified in the two concluding chapters of this report.

The problem here is not competently understood within the bounds of what is customarily conceived to be "economics" as such, but, rather, as I shall now show, this problem must be seen as the task to be accomplished by freeing the mind from imprisonment within the wild-eyed incompetence with which the meaning of the term "economics" is usually misunderstood by the presently reigning generation.

Roosevelt's reforms, like the appeal of his first Presidential campaign to the voters, was based on a return, away from the legacy of Coolidge, Andrew Mellon, and Hoover, to the principled conception of mankind on which our Declaration of Independence and Constitution are premised. The difference between the American System of political-economy and the Anglo-Dutch Liberal system, has always been, from the beginning, two irreconcilable conceptions of the nature of mankind.

This latter difference in principle, was typified by our Declaration of Independence's opposition to what can only be fairly described as the evil philosophical tradition of John Locke. Today, the same evil expressed by Locke and by our enemy of 1776, Lord Shelburne's lackey Adam Smith, is embodied in the notion called by some today "shareholder value," or man as "property." This was the same evil represented by the British imperial puppets known as the treasonous authors of the Confederate States of America (CSA), which Lord Palmerston's London deployed in the attempt to destroy our republic from within.

Within the bounds of globally extended European economy and general culture during the paradigm-setting Eighteenth Century, the issue at hand today, appears then as the opposition of the followers of Gottfried Leibniz, such as our Benjamin Franklin, to the followers of such typical figures of the so-called "Enlightenment" as John Locke and that frankly satanic author of *Candide*, the Voltaire whose continued influence today is most clearly typified in the experience of today's recent four decades, by the eruption of "the rock-drug-sex cultural paradigm-shift" of the late 1960s.

The Cultural Paradigm Down-Shift

The outcome of the influence of such as Locke and Voltaire, is typified since the age of the Prince of Wales, British Queen Victoria's "Bertie," by the so-called Theosophical, or Lucifer cult of Madame Blavatsky, Bertrand Russell, H.G. Wells, and Aleister Crowley, and by the circles of the Huxley brothers whom Crowley introduced, in collusion with Russell and Wells, to the lunatic world of what is called "psychedel-

ics." From those circles we received the mid-1960s plague of substance-induced psychosis of "drop in, drop out," and also of ecstatic modes in contemporary, so-called "fundamentalist" religious belief, which are, in effect, in accord with the mass practice of such induced psychosis today.

The moral damage done our culture during the recent forty years, is chiefly the immediate product of what has been named by some perverted creatures, such as Will and Ariel Durant as *The Age of Voltaire*. More precisely, it is a modern effort to replicate the way in which ancient Classical Greek culture was self-destroyed by the influence of the Babylonian tradition willfully introduced as the Apollo Delphic cult of the so-called Greek gods, the Babylonian corruption identified by Aeschylus in his *Prometheus Bound*. The characteristic ancient and contemporary, formal sophistry of the so-called "Enlightenment," on which the influence of such as slavery-apologist Locke has been premised, to the present day, has been a reflection of the morally depraved model of the Olympian Zeus as portrayed by Aeschylus in that play.

The efficient central principle of sophistry is what is sometimes termed, rather euphemistically, as moral relativism. It is stated more frankly by the pair of wild-eyed, frankly satanic existentialists Theodor Adorno and Hannah Arendt, in the theses which they supplied as the doctrine of *The Authoritarian Personality*. It was that existentialist doctrine, adopted and promulgated by that rag-tag of despicable Marxists, ex-Marxists, existentialists, and the like, known as the Congress for Cultural Freedom (CCF), which embedded its corruption in the conditioning of the generation born during 1945-1950. It was this influence of CCF and related ventures, on that generation of adolescents and young adults, which imposed the axiomatic foundations of the systemic sophistry within the conditioned reflexes of most of the generation of young adults of the so-called 68er generation.

The induced, so-called cultural paradigm-shift of the recent forty years, is a reflection of that which the heirs of the Synarchists of the Mussolini-Hitler years were able to do to plant their seeds of moral and intellectual decadence among the adolescents and young adults of about forty years ago. So, the legacy of the evil Apollo cult of Delphi, spawned its legacy of sophistry among that generation, as the ancient Delphi cult, had, similarly, corrupted and induced the self-inflicted ruin of ancient Greece during the term leading into the culturally suicidal Peloponnesian War.

Today, there are those misguided souls, of course, who have no conception of actual principles, and therefore seek a substitute for the principles which they lack, in a mechanical quality of rules and regulations which they call "laws." Typical of such foolish people, are those who would argue that the Preamble of the Federal Constitution is merely a foreword to that Constitution; whereas, in fact, the Preamble is the highest order of law in that Constitution, most notably the so-called "general welfare" clause. It is that clause in that Preamble, which differentiates a modern sovereign nation-state republic.

lic, in principle, from an essentially ancient or medieval form of society.

The idea of a universal principle came into ancient European civilization, at its beginnings in Greece, from Egypt. It came from the science of astrophysics as known to Egypt. It came not from the mere contemplation of the stars, but study of the lawful ordering which transoceanic astrologers require. It was precisely this form of knowledge which was transmitted to ancient science under the rubric of *Sphaerics*, in which all measurements are made in terms of primarily spherical, rather than rectilinear functions. The most elementary typification of this distinction was the proof of a purely geometric construction of the doubling of the cube, as demonstrated by the Pythagorean Archytas, and the discovering of the ordering of the regular solids by Theaetetus.¹⁵ This notion of universal principles was associated with and derived from the astronomical universe, as Johannes Kepler would later define such a modern approach to understanding such universal principles.

The same notion of universality, as associated with spherical, as opposed to rectilinear methods of comprehension of astrophysics, applies to social processes, too, and has the same meaning in the latter domain as in the former. All of man's law is rightly subordinated to such qualities of universal notions of principle. All other notions of law, including constitutional law, and other law of and among nations, are qualitatively inferior to those laws which have the quality of universal physical principles defined by the rigorous experimental methods, principles which define a true universal law of our universe. This notion of universality in method is that which distinguishes the human species, and its individual member absolutely from the lower forms of life, such as the higher apes.

In study of historical ancient, medieval, and modern European cultures, the most effective modes for suppression of the creative powers of mind through which discoveries of universal principle are generated, and also assimilated, is what is called *reductionism*. This reductionism is usually expressed in one, or, more often, a combination of two ways. On the one side, it is expressed as arbitrary belief, as in religious cults, such as the right-wing "fundamentalist" cults in the U.S.A. today. It is also expressed as formal reductionism, such as arbitrary belief in sense-perception as a direct representation of a universe composed of such self-evidently existing images, as we meet this in the fanaticism of the philosophical materialists and empiricists such as d'Alembert, de Moivre, Euler, Lagrange, Cauchy, et al. This same reductionism, in the form typified by the bestial view of man by Thomas Huxley, and the radically empiricist hoaxes perpetrated by Bertrand Russell, and such among Russell's clones as Norbert Wiener and John von Neumann, has been the principal instru-

ment of indoctrination which was used to destroy the creative mental powers of the generation which came to the surface as the 68ers.

In the type of formal reductionism associated with the empiricism of Paolo Sarpi and his followers, for example, both facets of reductionism are combined. There is the insanity of mystical belief in purely arbitrary principles, such as the social principles of Locke, Mandeville, Quesnay, or Immanuel Kant, cohabiting with blind faith in the self-evident existence of ideas coinciding with sense-perceptual experience, such as the arguments for mathematics of Descartes, d'Alembert, de Moivre, Euler, Lagrange, Laplace, Cauchy, et al.

The net result of such conditioning in reductionist world-outlooks, is the same social policy of oligarchical rule prescribed by the Olympian Zeus of Aeschylus' *Prometheus Bound*.

In that play, the Zeus of that tragedy condemned the immortal Prometheus to eternal punishment for the "crime" of having revealed the use of fire to mortal human beings. The principle was the same as that of today's radical "environmentalist," that the secrets of universal physical principles must not be revealed in a way which allows mortal mankind to enjoy the benefit of the use of "fire," or nuclear power. Two, combined approaches were used to the effect illustrated by Aeschylus' drama. On the one side, the prohibition of the knowledgeable use of discovered universal physical principles. On the other hand, the limited toleration of the use of some selected such principles, by disguising them with Delphic mysticism, as the circles of the Paris-based Venetian Abbot, Antonio Conti, used his assets in England to stage the figure of black magic specialist "Isaac Newton" as an alleged scientific discoverer. The perverted plagiarism of the published work of Kepler, as this was abused to help in developing the myth of Newton's train of allegedly "original" discoveries, is typical of such Cartesian legerdemain.

The point is, that a people which knows it has the innate qualifications which *Genesis* 1 attributes to man and woman, knows that it is equal to, or probably higher in authority than the authority claimed for the self-styled "Gods of Delphic Olympus." So, just as the Persian Empire which repeatedly failed to subjugate Greece by direct military action, resorted to the Delphic methods associated with the Apollo cult (methods today called "spin"), to corrupt the population of Greece in the fashion which produced the cult of sophistry through whose influence Greece, proceeding in the manner made transparent by Plato's *Republic*, virtually destroyed itself during the Peloponnesian War.

When the plan for a British Empire intended to become the permanent successor to the Roman Empire, was launched under the direction of Britain's Lord Shelburne, the point emphasized by his lackey Gibbon's famous study, was that Rome's toleration of Christianity is what had doomed it. It was the sturdy independence of the U.S. citizen which had

15. Cf. Bruce Director, "From Plato's *Theaetetus* to Gauss's *Pentagramma Mirificum*: A Fight for Truth," *EIR*, Oct. 7, 2005.

made the post-Civil War U.S. republic the greatest challenge to the continued existence of the British world empire. The remedy? Do to the Prometheus of European civilization, as the Olympian Zeus of Aeschylus' *Prometheus Bound* had prescribed.

The Mental Chains of Slavery

Thus, although it must be conceded that slavery was not *immediately* abolished by the Constitution, the lack of immediate abolition was the result of a compromise which was made to prevent some of the states from bolting over to the British cause. The conception underlying the constitution was, nonetheless, the principle of the nature of man, according to the principle of *agapē* echoed by the opening declaration of the 1648 Treaty of Westphalia. This conception was the foundation of the entirety of the conception of law, the principle of *agapē* permeating that Constitution, even among those such as Thomas Jefferson who did not act to eliminate slavery immediately in his state of Virginia.

The issues posed by this particular irony within the bounds of the respective composition of principles and immediate practice in the launching of that Constitution, is a lesson which few simpler minds of our time have yet to comprehend. All human society thus far has been imperfect or worse in its conception of what the practiced law should be. All traditional practice and law of societies before us have ranged from evil to wretchedly defective. Yet, only silly romantics yearn to go back in time to demand that earlier nations and generations conform immediately, even retroactively, to strict conformity with currently popularized lawful principles, as supposed principles have been determined according to our best present knowledge of that history. The essence of human existence is a process of development; it is that process of development which must be pushed forward; it is failure to develop in that way, or even to regress as the doctrine of Associate Justice Antonin Scalia has done, which is the essential nature of the current decadence of the U.S. today, or comparable cases.

Therefore, a valid constitution is one which prescribes an open-ended process of self-development of a nation, and of its people. Evil is that which halts, or turns back the clock of development, whether as a policy, or an individual action. So, the most common expression of evil, is that policy which either simply halts development, or, worse, seeks to turn back the clock, or prevent resumption of a mistakenly abandoned earlier mode of development, as in the case of the post-Franklin Roosevelt U.S.A. of today.¹⁶

16. This point of distinction between the statesman and Romantic fool, is illustrated by the case of those who claim, foolishly, to have proof that President Abraham Lincoln was not seriously committed to ending slavery. Had the Union not been defended, or had British agent August Belmont's 1864 Democratic Presidential candidate been elected, the territory of the U.S.A. would have been broken up into a Balkan-like set of warring tyrannies, one, the slave-holders' Confederacy allied with the Nazi-like puppet of Britain's Lord Palmerston, Mexican butcher Maximilian, and so on. To realize

Today, laws are usually considered, wrongly, as limited in their authority to the specified current circumstances, such as merely passing current popular, or "traditional" opinion, on whose behalf they are ostensibly prescribed. Whereas, law which expresses the true principles of science or government, is universal and permanent, in the same sense as discovered universal physical principles, and, excepting cases of new laws which have the demonstrable quality of representing universal physical or equivalent principles of the universe, other, ordinary laws are part of that merely positive law which is always to be interpreted, enforced, or repealed, as the application of principle to what a contemporary practical form of relevant setting requires for the relevant occasions.

For example, the faction of Spain associated with the Inquisition, adopted the opinion that sub-Saharan Africans were animals, not people. Therefore, those Spanish and Portuguese introduced a commercial form of international slave-trade, based on capturing and culling "herds" of "wild Africans," shipping the un-culled young males, and, later, "breeding stock" to sundry parts of the Americas, in a practice which was continued into the late Nineteenth Century, and was protected by the British and Dutch creditors of the Spanish and Portuguese, and continued by the Nineteenth-Century Spanish monarchy until late in the Nineteenth Century.

Unlike the Spanish ideologue of the Inquisition's tradition, the usually Protestant American apologist for slavery did not trouble himself to argue that the slaves were not human, although the most depraved individuals among us did actually adopt that Spanish principle, and the Habsburg rule over Mexico expressed that evil practice and is a continuing tradition among some there, to the present day.

The usual argument under law, for the defense, or the toleration of slavery as an institution, was that once man became property, he remained property. It became the typical practice of the U.S. slave-state governments within the U.S.A., to forbid the education in, or practice of reading among slaves, thus denying that slaves were human in that perverse, back-handed way, by denying slaves access to their natural affinity for specifically human behavior. For such slave-holding states of the Union, as in the case of U.S. Supreme Court Chief Justice Roger Taney's obscene Dred Scott decision, the argument in defense of slavery and its practices, was placing the right of property above the rights of a human being, just as Supreme Court Associate Justice Antonin Scalia and others uphold the identical, Lockean dogma of "shareholder value" today.

All such decisions in favor of "shareholder value" must be struck down as obscene violations of universal national law, and any law which opposes that must be struck down promptly and with "finality" on the same premises. This must

freedom in this territory, the authority of the union must prevail at whatever cost. Any contrary opinion is essentially disgusting claptrap. To win for a cause, you must win for the institution which ensures the defense of that cause.

be done in order to prevent the continuation of the reversal of progress which the hateful doctrine of “shareholder value” has promoted.

For just such reasons, according to the pro-slavery doctrine of those in the Federal Courts of the relevant time, the mere act of manumission of a slave was an implicit violation in principle of the Locke notion of “life, liberty, and property.” That argument for slavery as property, is exactly the same obscenity cataloged under the rubric of “shareholder value” today.¹⁷

Just so, a single true principle has the rightful power to sweep away vast accumulations of enacted law and judicial decisions. A law may be considered as relatively powerful insofar as it approaches nearer coincidence with the superior universal principle, but that law remains not natural law, but belongs to the inferior quality of that which is the merely positive law.

Any different view of the matter of principle of law which I have just identified, is either an expression of the principled immorality of outright sophistry, or tends in that direction. Hence, the gravest systemic defect in the practice of law and other statecraft today, is the prevalence of a virtually rabid degree of sophistry (e.g., the implicit hypocrisy of practice of the dogma of “go along, to get along”) in current practice in law-making, judicial proceedings, and popular opinion.

The principle of *agapē*, which is sometimes translated as the principle of the general welfare, or as the *commonwealth* principle, is a principle of universal natural law. When it is uttered as the statement of intended purpose of government, as in the Preamble of the U.S. Federal Constitution, it represents the relatively highest principle of law of that government and all institutions of government, and of all issues concerning equity in the affairs of that people.¹⁸

This principle is deeply embedded in our republic’s history and custom. It is embedded, thus, in the habituated cultural nature of all good citizens, even those erring apostates

17. Taney was essentially a creature of the New York Tory interests which owned Martin van Buren’s asset President Andrew Jackson, the same interest, later represented by New York banker August Belmont which owned the Democratic Party of President Lincoln’s time, and which launched the McClellan candidacy for the Presidency against Lincoln. The same tradition has been represented, this time in a way more radical than Taney would have tolerated, by Taney’s nominal fellow-Catholic Associate Justice Antonin Scalia.

18. Note the difference between the U.S. Constitution and the *Grundgesetz* of the Federal Republic of Germany. Chancellor Konrad Adenauer et al., inserted this principle within the *Grundgesetz*; however, whereas in the U.S. Federal Constitution, this principle of *agapē* is superior, as a matter of principle, to the remainder of the Constitution, a similar statement within the *Grundgesetz* is an attribute within the constitution of the republic. This, however, was sufficient to bring a Liberal howl from the British, who organized the hastened retirement of Adenauer over the issue of the insertion of a “Christian principle” into the constitution. Since Shelburne’s Gibbon, British imperial doctrine has been that the influence of Christianity must not be permitted, lest the British Empire go the way of that of Rome.

among us who are struck by pangs of guilty conscience on this account.

The Role of the Rascals

From the death of President Franklin Roosevelt, on, the pro-imperialist adversaries of our republic deemed it necessary to bring off the change from the Franklin Roosevelt revival of our economy, toward our becoming the kind of mess of economic and social wreckage our nation represents today. Although the details of the way in which this was accomplished over the course of recent decades, were never clear in advance, the outlines of the policy which has been used, was clear from the moment President Roosevelt had died, and has been maintained as policy until now. As part of this hostile intention, it was essential to prefer to employ men and women whose degraded conception of the nature of man accorded with the mission which the Anglo-American oligarchical foes of the FDR legacy intended to bring about.

Hopefully, from the side of our patriots, the approach of FDR would tend to bring about the improvement in the morals of the reluctant, and it did have this effect, as I saw this as an eyewitness, during the 1930s; but we were to see a reversal of that trend, under the Truman Administration, during the late 1940s. When possible, it were better to persuade than compel. As Christians understood and the Inquisition did not, it is the voluntary development of the natural moral character of the citizen which is the best source of security of society in the longer term.

Nonetheless, our preference for compassion and inspiration should never blind us to the reality, that frank evil often does occupy very high places, such as the post-FDR law-making process and judiciary in our governing institutions. Since, therefore, under those influences, the law and its enforcement tend, so often, out of either foolishness or malice, to be morally corrupted, it is urgent that we place much greater reliance on those principles of natural law expressed by the Preamble of our Federal Constitution, than any other institution or law, such as legislative and judicial proceedings.

Those who have no principles, propose nothing other than enacting some new law, usually a law whose initial popularity represents a worse result than had no new such law been enacted. They are people who rely on law, because they have no true principles, a type of person typified by those who are essentially products of the 1950s and later indoctrination, as children and adolescents in the frankly satanic dogmas of the Congress for Cultural Freedom.

I explain. Principles comparable in their origin and quality to the discovery of universal physical principles are eternal; legislation and judicial proceedings are fallible, and are frequently too easily corruptible. Hence, the proper position of superior authority of the Preamble of our Federal Constitution over all other law, and, after that, the provisions of Constitutional law bearing upon the composition of each and all among the institutions of the Federal government and the subordinate



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Left to right: Zbigniew Brzezinski, Madeleine Albright, and Henry Kissinger. "It is notable . . . that certain relatively recent immigrants from the pre-World War II period of Adolf Hitler's rise to power, such as Henry A. Kissinger, Zbigniew Brzezinski, and Madeleine Albright, have come to represent a style within U.S. government service which stands out as the deeply embedded expression of a 'central European mind-set,' a mind-set alien to the history of the origins and the development of our U.S. constitutional republic."

authority of the Constitutional states of the union. This authority must always be treated as more important than any subsidiary feature of the legislated and judicial law.

The relevant set of distinctions this implies, respecting the characteristic relative morality of nations and their sundry cultural sub-sets, is a subject of special interest. What defines the natural social outlook, the natural outlook of the individual and group toward society as a whole? How do such considerations bear on the way groups of persons may function in this or that capacity within the society at large? What relevance do such matters have for the way in which the functioning, and direction of development of the society as a whole may proceed? What, therefore, is the state of mind we must require in the selection of individual persons for important positions, especially the highest-ranking elected and appointed officials of our Federal Government?

It is notable, on this account, that certain relatively recent immigrants from the culture of the pre-World War II period of Adolf Hitler's rise to power, such as Henry A. Kissinger, Zbigniew Brzezinski, and Madeleine Albright, have come to represent a style within U.S. government service which stands out as the deeply embedded expression of a "central European mind-set," a mind-set which is morally alien to the history of the origins and the development of our U.S. constitutional republic. Such persons stand out, not because they had been sent in to subvert us, but because they, like that poisonous pestilence of Viennese positivist professors who destroyed the competence of entire departments of our universities, had been selected as immigrants whose breeding was in accord with the wicked orientation of the relevant witting currents of Anglo-Dutch Liberal subversive influences already well established within our financial community and kindred strata and institutions.

Persons such as those, who persist in cultivating those

manifest, alien defects in their character, therefore do not yet accept the constitutional principle upon which our institutions' security depend, and therefore, they should not be brought into positions of crucial importance in our government, or comparable institutions. It is notable, in these exemplary, referenced cases, that they each and all exhibit a lack of the republican morality specific to the Preamble of our Federal Constitution and the 1776 Declaration of Independence. They reflect a poor choice of morality, of a central European type from which the founders of our republic sought our escape to the safe refuge of our republic.

What, for example, did the monocled Fritz Kraemer see in his assigned jeep driver, Henry A. Kissinger? What did the British agent and Harvard Professor of Government, Nashville Agrarian William Yandell Elliott, see in Kissinger, or in Canada's adopted product of the right-wing Polish bureaucracy, Brzezinski, for example? What did the subversive H.G. Wells society find attractive in Madeleine Albright and her father Josef Korbel, also of the central European state bureaucracy's tradition, like that of the same circles into which Zbigniew Brzezinski married? An examination of Henry Kissinger's writings which were published as expression of his patronage by the dubious Elliott, attests to the same special type of alien, specifically anti-American, central European state of mind expressed so shamelessly in Kissinger's May 1982 London Chatham House address. Similarly, Brzezinski's piece on the subject of "technetronic" culture, is thoroughly anti-American in its pervasive implications.

There is nothing of the European Classical tradition in such types, certainly not the type of central European we rightly associate with Leibniz, nor Schiller, nor Gauss, the von Humboldts, and Riemann, but, rather, the hatefully bureaucratic oligarchical lackey's mind-set. All of these lean more to the side of Paolo Sarpi's "New Venice Party" of Sir

Francis Bacon, Thomas Hobbes, John Locke, Adam Smith, and the Confederacy tradition, than that of the American patriot.¹⁹

Most of these imported types of that specific quality represent a native inclination to become lackeys of an oligarchy, more than the oligarchical family types themselves, and more the modern bourgeois variety of oligarch than the old feudalistic family traditions. There is a lot of the quality of Dickens' character Uriah Heep in lackeys of such central European cultural types. They are not "Prussian types," but more the type of a Prussian's lackey, selected—not for breeding!—for a usable, and expendable talent. The Trotskyist neo-conservative followers of the hoaxster and pro-fascist Professor Leo Strauss, for example, emphasize that they are lackeys, house-servants of the oligarchy, rather than responsible leaders of society. This does not lessen their propensity to steal very large amounts of other people's wealth by legalized, or other trickery, but merely points out more clearly their affinity for the type of Dickens' portrayal of the miserable character of Uriah Heep.

These types are rather quickly distinguished from the far more numerous, desirable immigrants, who came to the U.S. in search of opportunity, and who expressed his and her enjoyment of life achieved here with wit and laughter, while enriching the quality of the mainstream of our society by his or her presence. The other types, such as Kissinger and Brzezinski, are not happy here, as the murderously thuggish Kissinger's hate-filled May 1982 London address makes this point indelibly.²⁰ They do not wish to be part of us, but rather, like prospective gang-land types, either make us their subjects, or they work, as do those ex-Trotskyist fascists called "necons," as an enforcer for someone who does. In their careers in public life, the net outcome of their employment, has been efforts which in fact tend to destroy the intent on which our republic was founded, to destroy what President Franklin Roosevelt's Administration gave back to us in his time.

Of many of these, it can be said, that they are unhappy with our U.S.A. as our Constitution defines it, but the countries to which they might desire to return, either no longer exist, or, if in their right mind, would not wish them back.

These types are not the primary source of our problem,

19. Lord Shelburne's spy and plagiarist deployed into France, the Adam Smith of the notorious 1776 *The Wealth of Nations*, wrote the latter, fraudulent text as a propaganda attack on the American patriots and their cause. Similarly, the John Locke whose essential argument was explicitly repudiated by the Declaration of Independence's right to the "pursuit of happiness" clause, was the basis for the pro-slavery doctrine of Lord Palmerston's Confederate States of America project.

20. Kissinger's 1975 policy, in NSSM-200, toward Africa, like his close association with dictator Pinochet and the Nazi international spin-offs' role in "Operation Condor," must be matched ironically with his references to himself as a Jewish victim of Hitler's "holocaust." He is a true follower of the model of Thrasymachus adopted by Professor Leo Strauss and his "neo-conservative" followers.

but merely, by virtue of the positions they enjoyed, notable instruments which their actual masters have employed for the devilry done against us. They and their masters alike, can be understood, and assessed, in that light. They are a problem for us, but, more significantly, the fact of their inappropriate selection for positions of great influence reflects the grave moral defects in those influential circles among us who promoted such fellows to their indicated positions.

Economy and the Genesis of Morality

This brings us to the topic of public morality as a characteristic quality, for better or worse, of nations.

Historians Anton Chaitkin's and H. Graham Lowry's published works on the history of the U.S.A.,²¹ show much of the actual history of the efforts of the British monarchy to crush our republic, both in the womb, at its birth, and later. How should those of us working as responsible political leaders, or historians, judge our republic's traditional imperial adversary, the British monarchy, its associated oligarchy, and their agents among us? What should be our actual moral judgment on such predators?

I caution the reader, that, in my view, the British people, and their leaders generally, are to be judged, first of all, as human beings, rather than as categorical adversaries as a people. It is perhaps easier for me than most others, to take that view as my starting point, not because of my predominantly English-French-Scottish ancestry,²² but, because I have the advantage of understanding how dynamic systems work in general, and understand the relevant social dynamics of the way in which the British monarchy came into being, and how that kingdom is controlled, at least to a very large degree, by processes beyond its own developed, willful capacity to resist. In general, all societies are, at any given time in their existence, primarily more systems—dynamic systems—than collections of individual wills. I mean, of course, a system in the sense I have emphasized the relevance of Bernard Riemann's view of Dirichlet's Principle.²³

21. Anton Chaitkin, *Treason In America: From Aaron Burr to Averell Harriman* New Benjamin Franklin House, 2nd ed., New York, 1984. H. Graham Lowry, *How the Nation Was Won: America's Untold Story 1630-1754* Vol. I (Washington, D.C.: Executive Intelligence Review, 1987). See also, the predecessor to Anton Chaitkin's work, Allen Salisbury, *The Civil War and the American System: America's Battle with Britain, 1860-1876* (New York: Campaigner Publications, 1978) and Nancy B. Spannaus and Christopher White *The Political Economy of the American Revolution* 2nd ed. (Washington, D.C.: Executive Intelligence Review, 1995)

22. As I have reported rather frequently, my English and French ancestors arrived during the late Seventeenth Century, and the Scottish during the early 1860s, the latter led by a saber-wielding professional dragoon who elected to join the First Rhode Island Cavalry, and his reputable brother (less inclined to the culture of the saber and bottle), a British steamship Captain Weir who once changed flags to command an American steamship on its voyage to Argentina.

23. On this implication of "Dirichlet's Principle," see Lyndon H. LaRouche, Jr. "The Shape of Empty Space," *EIR*, Oct. 7, 2005.

In defining the British system as a system in that sense, I am not excusing its frequently bad behavior; I am simply employing a clinical view, a view of the historically determined intent of this British system. I must maintain that clinical frame of mind required to prescribe treatment of the problem which would either, at a minimum, contain, or, hopefully, correct the problem inherent in that British system (for example) today.

Consider some examples of dynamic change in a national model. Consider, for example, the effect of the 1863-1876 developments inside the U.S.A. which prompted many nations to modify their principles of self-government, as Bismarck revolutionized the German economic and social system in the American System-modelled reforms of the 1877-1878 interval, during which time the world's leading economist of the world, the U.S.'s Henry Carey, visited Berlin in this matter, and during which Carey also steered the economic revolution in Japan, and D.I. Mendeleev collaborated with Czar Alexander III and Count Sergei Witte in a stunningly successful, if incomplete, change of Russia's economic policy of practice. Social systems do change, even rapidly and profoundly at times. The fact that such changes have occurred, can be recognized; the way in which those changes are brought about, is, up to the present time, rarely understood, even among some otherwise well-qualified historians.²⁴

Or, take the case of domesticated animals. Consider the way in which animals which are domesticated "from the pup" to adult, behave toward man, as opposed to the conduct of the wild creature of the same species and variety.

Cardinal Nicholas of Cusa made a provocative argument: that such animals participate in mankind, as mankind participates in God. Think about it! Do you have a pet dog which has grown up as part of your household, and counts you as virtually, for the case of a dog, as part of your "pack," or, in German, *Rudel*. The pet adapts to your behavior, and thus modifies its behavior accordingly. The way your mind works, as such workings are viewed in the mind of the dog, is now, in that specific, functional sense, a part of the dog's psyche.

That dog is no longer the mere animal, nor is he or she human. The characteristic behavior of the dog has been nonetheless changed, dynamically, in species-characteristics, by its relationship to you. It is fascinating to observe how the mind of the dog works under these conditions. You begin to



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"This relationship of pet to master, which arises as a qualitative change in the behavior of the animal, belongs to the category of dynamic relations, as I have emphasized V.I. Vernadsky's emphasis on this, in 1935-36, in his definition of the chemistry of the Biosphere."

understand this, on the day that you realize that when you are trying to understand how the dog behaves toward you, or in your company, you are imagining that you are thinking, and reacting to the dog as if you were a member of the dog's *Rudel*, especially on the day you realize that the dog has acquired a sense of humor about such matters, through its functional relationship to you.

People should not become beastly in their relationships to their pet animals.

This relationship of pet to master, which arises as a qualitative change in the behavior of the animal, belongs to the category of dynamic relations, as I have emphasized V.I. Vernadsky's emphasis on this, in 1935-36, in his definition of the chemistry of the Biosphere. It is the same principle of dynamics, as opposed to mechanics, which Leibniz counterposed to the essential incompetence of the empiricist method employed by Descartes and Descartes' followers, such as the Newtonians. It is the same principle of dynamics which was clarified and developed further by Bernard Riemann, in his habilitation dissertation, his work on the Theory of Abelian Functions, and his general treatment of the determining principles of physical hypergeometries, according to his elaborated employment of what he identified as Dirichlet's Principle.²⁵

Now, having considered such experience in that light, what is the essential difference between the behavior defined by the relationship of the human individual to his or her "pack," and the characteristic features of the relationships

24. *Ibid.*

25. *Ibid.*

among families, and among people within society generally?

The essential problem of economy to be addressed in this present time of relatively terminal global crisis of humanity, is that all economic doctrine of practice, as currently taught, as currently treated as a working body of practical doctrine in all societies today, fails to make any systemic distinction between the moral issue posed by an economy as a dynamic mode of human social process, and the matter of the relations within and among the packs of lower forms of life. That is the crucial problem which I address here, the problem whose study should prompt us to understand the world-outlooks and methods we must employ now to avoid a continuation of the specific set of global horrors of the rise and continued persistence of the British imitation of the ancient Roman Empire, now called “globalization.”

What the beast does not, and can not do, is willfully change the behavior of its species according to the implications of the discovery of a truly universal principle of the universe. That is the essential scientific, and also moral distinction between the degenerates who are members of the cultures of the cannibals, and true cultures of human beings. That is the difference between a morally defective culture based on reductionist assumptions, as by the empiricists, and a culture like the Classical current of the culture of ancient Greece, as represented by Plato’s surviving dialogues and letters, on which the founding of the U.S.A. branch of modern European culture was premised.

This characteristic distinction of man from both beast and bestiality is located in those creative powers, those principles of the individual mind whose existence is prohibited by the Olympian Zeus of Aeschylus’ *Prometheus Bound*. These are the principles of the work of the ancient Pythagoreans, Socrates, and Plato, the principles underlying the modern work of Nicholas of Cusa and his followers, such as Leonardo da Vinci, Johannes Kepler, Fermat, Leibniz, Gauss, and Riemann.

Although this definition of the process of discovery, and practice of universal principles, is most immediately associated with such progress in physical science as the discovery and development of the use of nuclear and thermonuclear power (which the moral degenerates following in the train of the depraved Olympian Zeus would prohibit), it is also expressed in that which qualifies as Classical principles of artistic composition, such as those of the followers of J.S. Bach, as opposed to the degenerate practices of the more popular, increasingly decadent varieties of chimpanzee-like musical entertainments today.

It is that quality of behavior which expresses these discovered principles and their implied intentional use by mankind, which distinguishes moral forms of society. It is moral activity, so defined, which supplies us effective insight into the actual practical meaning to be applied to the term “economy.” This pertains not merely to the role of individual discoveries of universal physical principles, but to the development of all

of the members of society in a direction coherent with the proliferation of such discoveries and their application for the benefit of progress in the condition of human individual life.

4. Economy As the Moral Progress of Mankind

The world has now entered a period of a new challenge to mankind. Since we must now add the challenge of bringing the standard of living and productivity of Asia up to the levels and rate of improvement we should be prescribing for Europe and the Americas as a whole, we must prepare to encounter, not fixed limits on resources, but, rather the need to expand what we have formerly regarded implicitly as the planet’s fixed upper limit on available resources. Preparing now to face this challenge to the population of our planet two generations ahead, requires a new way of thinking about economics. Instead of thinking of a fixed store of what we have called “primary raw materials,” we must define the theory and practice of economics in what will be, for virtually all economists, a new way of defining the bedrock foundations of the subject of economy, a way in which the development and management of new planetary stocks of so-called “raw materials,” will replace the formerly accepted notions.

Henceforth, all competent economics will be recognized as incorporating what I have prescribed as embodying a great debt to the celebrated work of Russia’s V.I. Vernadsky. This inescapable new orientation of the practice of economics will compel our recognition of the fact, as I shall now explain, that the essence of a competent science of economy, is not statistical, but moral. We shall now think of economics as the practice of ordering the practice of nations to conform to the notion of mankind as a power within, rather than an inhabitant of the universe.

I explain.

Admittedly, progress is often reflected, at least implicitly, in a measured increase of the net fertility, life-expectancy, and per-capita physical productivity of the society’s population as a whole, per capita and per square kilometer, as a current characteristic of the total land-area of a sovereign nation. However, those statistical effects, while important in their own way, are merely effects, not the active principle which distinguishes a successful economy *as a species of phenomenon*, from the relatively random occurrence of a very nasty automobile accident.

To this end, let us now begin the detailed features of this concluding chapter of the present report, with a review of the relevant essentials of such a discussion, with a review of the evolving notion of the role of physical science in society since the ancient Pythagoreans.

Already, in prior times, for competent economists, the essential, experimental proof of difference between man and

beast, is the evidence of man in society, a society which is willfully increasing its relative potential population-density per capita and per square kilometer. The crucial proof of the principle which characterizes mankind, as distinct from lower forms of life such as the higher apes, is the evidence which suffices to demonstrate an increase in that potential as a development associated with the introduction of the equivalent of added universal physical principles into a relevant society's repertoire of practice. The translation of such experimental evidence into the functional equivalent of a mathematical-physical proof, was mastered by the Classical currents of ancient Greece, as the Pythagoreans and Plato typify this method.

The method which those Classical currents of ancient Greece employed for such investigations, was identified by them as the method of *Sphaerics*, a branch of physical science derived from the class of discoveries made by ancient astrologers, and relayed to the ancient Greeks, whose leading feature was their participation in a culture derived from what is known as "the people of the seas." These ancient Classical Greeks, such as the Pythagoreans, attributed their acquisition of knowledge of *Sphaerics* from ancient Egypt.

This use of *Sphaerics* sets the method of the Pythagoreans, Socrates, and Plato into opposition to the idea of a rectilinear geometry which is associated with Babylon. Instead of assuming the existence of a flat plane, a physical form which Carl F. Gauss's exploration of the general principles of curvature later proved not to exist, the Pythagoreans took the sphere as the standard of reference for measurements, and derived a conception of a physical geometry, rather than something like a Euclidean geometry, from physical observations coordinated with the notion of spherical, rather than rectilinear mappings. Implicitly, the Pythagoreans rejected all rectilinear notions of definitions, axioms, and postulates of an abstract geometry, as the modern scientist Bernard Riemann was to revive this method with full force in his 1854 habilitation dissertation.

To review. The crucial feature of principal relevance for our treatment of a science of physical economy here, is the principle named *dynamis*, a concept which Gottfried Leibniz introduced to modern physical science as *dynamics*, in refuting the systemic fallacy of Cartesian physics. The modern translation of the Classical Greek *dynamis* is the modern use of *power* (German *Kraft*) in the modern translations of relevant ancient Greek writings of the Pythagoreans and Plato.

In modern physical science, the notion of *power* (*dynamis*) is always properly represented by a spherical construction of the mathematical-physical complex domain of Gauss, Riemann, et al., especially the Gauss-Riemann development of the principles of physical hypergeometries. The relatively rudimentary forms of expression of powers, is, first, the fact that a line is not generated by a point, a surface by a line, nor a solid by a surface; and, second, the method of purely geometrical construction of the doubling of the square and

cube, and the generation of the regular solids, as by Theaetetus.²⁶

In each of the former cases, the challenge can be solved by geometrical construction, but the act of construction can not be represented as a static act of construction in physical space. It is necessary to introduce the concept of construction within physical space-time, as the modern discovery of the principle of quickest time, by Fermat, and as the later development, by Leibniz, of the catenary-cued principle of universal physical least action, demonstrates the point, the notion of the geometrical-physical, rather than naively arithmetic notion of *dynamis = power*. This is also the meaning of Heraclitus' "nothing exists but *change*," and the same conception located in Plato's *Parmenides* dialogue.

In other words, universal physical principles are known to the degree that their efficient existence may be demonstrated by physical-experimental methods, but, like Fermat's crucial proof of quickest time, the principle itself can not be seen in the terms of reference of ordinary sense-perception, but, rather, is known in the effects, as the expression of an ontological quality of *change*, produced by the action of that principle. This notion of universal physical principles, and the method of their demonstration, is typified by the work of the relevant Classical Greeks, such as the Pythagoreans and Plato. The Pythagorean Archytas' discovery of a solution for the challenge of the construction of the doubling of the cube, is the most convenient illustration of this notion of universal physical principles corresponding to the notion of *powers*.²⁷

The biological mental-perceptive apparatus of the human being, conforms, in essential, principled respects, to the living biology which the human individual shares with the beasts, even as the human differs absolutely from that of the specific beast. The notions of universal physical principle are not directly recognized as sense-phenomena by the human sense-perceptual apparatus, but only in a different, relatively indirect, but fully efficient and reliable way which occurs only in human individuals, but not in beasts.

This experimental distinction of man from beast is shown implicitly by V.I. Vernadsky's distinction of the Noösphere from the Biosphere. The crucial, changing differences in the mass and composition of the respective fossil formations of these domains, relative to the total mass and composition of the planet as a whole, underscores the relevant point. Just as life is a dynamic process controlled by a principle of life which is superimposed as an efficiently controlling agency

26. Cf. Lyndon H. LaRouche, Jr. "The Shape of Empty Space," and Bruce Director, *op. cit.* [Note 15]. This includes the early (ancient Classical Greek) notion of qualitative distinct, actually geometrical species of numbers, such as the rational, irrational, transcendental, and so forth.

27. The implications of Archytas' construction of the doubling of the cube, is proved to be "the Achilles' heel" of the reductionists D'Alembert, de Moivre, Euler, Lagrange, et al., as their folly was exposed by Gauss's 1799 doctoral dissertation.

on that process, so the principle of human cognition, superimposed on the living organisms of the society of human beings, defines efficient powers which do not occur in lower forms of life. The cognitive generation of the conception of a universal physical principle, is the expressed distinction of man from beast.

The Role of Dirichlet's Principle

Those who have not become familiar with this way of approaching, and defining the physical significance of the complex domain, as Carl F. Gauss's 1799 doctoral dissertation exposed the relevant incompetence of D'Alembert, Euler, Lagrange, et al., will not be able to understand the ABCs of a physical science of economy. Economies, as I have proven and demonstrated repeatedly, are essentially Riemannian processes.

All truly dynamic processes, as Gottfried Leibniz exposed the elementary incompetence of the followers of Descartes (and, implicitly also Galileo) on this point, are actually Riemannian processes defined in the terms Riemann employed for the application of what he defined in his work as Dirichlet's Principle. The famous echo of that in the work of Albert Einstein, late in his life, is the formulation that the universe is finite, but unbounded, or, as I have emphasized a needed modification of his statement: *self-bounded*. All significant systems within the universe are, by their nature, relatively self-bounded in the sense associated with Riemann's development of the Gauss-Riemann treatment of the complex domain of hypergeometries as defined by Riemann's treatment of hypergeometries within the bounds of the crucial implications of his 1854 habilitation dissertation and his treatment of the theory of Abelian functions.

My own application of this is derived from, and largely bounded by my work in elaborating the Leibnizian concept of a science of physical economy, rather than the usual choice, among today's economists and others, of an essentially incompetent definition of political-economy, a definition of the type stipulated by that neo-Venetian school which is the British system, as also adopted axiomatically by Karl Marx, et al.

Such dynamically self-bounded systems include the case of the individual personality and entire societies. This includes the functional definition of the sovereign nation-state economy, as distinct from hare-brained, and culturally suicidal notions of what are called variously "global" or, more precisely, imperialist systems of economy. The elementary demonstration of the relevant principle of self-boundedness, is provided by examination of the axiomatic characteristics of the human behavior of both the sovereign individual personality, and the functional group within society.

To understand this, it were most useful to take into account two, systemically related points of reference: the principle of Sphaerics as familiar from study of the work of the ancient Pythagoreans and Plato, and the comparable thesis set forth at the outset of Riemann's 1854 habilitation dissertation.

To wit:

The origin of the great mistake known as Euclidean geometry, was the degradation of the preceding work of the Pythagoreans, by interpretation, to appear to show the content of so-called Euclidean geometry as derived from a set of reductionist definitions, axioms, and postulates, when, in fact, all of this material was developed prior to the Euclidean reductionists from the standpoint of Sphaerics, as I have identified the latter, once again, here. However, the utility of closer study of the Euclidean hoax, is that it shows us the underlying implications of the Euclidean system's reliance upon a set of definitions, axioms, and postulates. In dealing with the development of modern anti-Euclidean geometries by (actually) Nicholas of Cusa, Johannes Kepler, Fermat, Leibniz, Gauss, Riemann, et al., we learn a lesson from the hoaxes of the Euclidean which they, clearly, never intended we should learn by help of closer study of the Euclidean hoax.

Therefore, Riemann's application of his treatment of what he named Dirichlet's Principle, to physical hypergeometries, is the relevant modern standpoint for treating both ancient and modern work of relevance to our subject here.

In my work, I have repeatedly referred to a characteristic fallacy which I have found it convenient, during recent years, to identify as a "fishbowl syndrome." That is to say, that most people live in two domains. On the one hand, they live in the real universe, which reacts to their actions. At the same time, they live, intellectually, in a much smaller, and largely fallaciously conceived domain, that of a set of combined witting and unwitting assumptions of an axiomatic character. The effect of this duality, as I have frequently described it, is the mind of the individual living in such a "fishbowl," while his hands and sense-organs are interacting with a universe outside that fishbowl.

The typical interaction of the formally rational individual, and his relevant society, to the universe is of a dynamic quality, a quality defined implicitly, as akin to that interaction between the processes internal to the fishbowl itself, and the real universe with which the people within the fishbowl are efficiently interacting. The conceptual problem is of a type familiar to specialists, as of a type which Carl Gauss confronted in treating the geomagnetic distribution of effects within an significantly large area of the Earth's surface. This is a typical illustration of the concept addressed more generally by Dirichlet and Riemann's conception of Dirichlet's Principle. Also, dynamic systems, as Vernadsky defines the Biosphere, belong to the type of characteristics I have just indicated.²⁸

Economies, when treated as physical processes, express these same characteristics.

The characteristic feature, the absolute distinction of the

28. Lyndon H. LaRouche, Jr. "Vernadsky and Dirichlet's Principle," *EIR*, June 3, 2005. Also, "From Kant to Riemann: The Shape of Empty Space," *EIR*, Oct. 7, 2005.



EIRNS/Brendon Barnett

A pedagogical exploration of doubling the cube, at a recent LaRouche Youth Movement cadre school in Los Angeles.

human individual, and the human species from all lower forms of life, is the “breaking of the walls of the fish-bowl:” the discovery of additional universal physical principles, as this was emphasized, for example, by Cardinal Nicholas of Cusa in his work, *De Docta Ignorantia*, which founded the modern experimental physical science of Leonardo da Vinci, Johannes Kepler, Fermat, Leibniz, et al., through the work of Gauss and Riemann, et al.

In first approximation, this argument is limited, for pedagogical reasons, to the topical area of so-called physical science. However, since societies are based on the transmission of both such elementary physical conceptions and also the principles of functional interaction among human individuals in society, we must include principles of the type unique to strictly Classical modes of communication and cooperative practice, as typified by the case of Classical well-tempered vocal polyphony of J.S. Bach, as expressing efficient universal physical principles in the same sense and degree as the principles of what were otherwise assumed to be solitary man’s action on the non-human domain.²⁹

The patterns of knowledge, or ignorance, of such principles of physical science and Classical art, or the rejection of such knowledge, forms the characteristic feature of a national culture. The way in which action, and interaction is defined

29. Unfortunately, the development of Romanticism and other forms of moral and cultural degeneration, and their spread have destroyed the ability of even those nominally trained in Classical artistic composition from grasping the essential features of Classical art which correspond, in the form of Classical irony, to the function of discovery of a universal physical principle.

within that culture, in those terms of reference, is the essential expression of the character of that culture as a dynamic system, in the same sense as Leibniz’s definition, and also the definition of Biosphere and Noösphere by Vernadsky. Such systems have the implication of expressing Dirichlet’s Principle as Riemann defines it.

Vernadsky’s referenced work implicitly redefines the practical meaning of the terms society and economy. Once we rise above the view of the individual, or society simply acting upon nature and the artifacts of such action, to take into account the interrelationship between society and the Biosphere and Noösphere, all presently generally accepted opinions on the subject of economy, national economy, and so forth, become either absurd, or obsolete, that both physically, and, also, morally.

National Economic Systems

Consider the distinction between the development of European civilization, until now, and the typical cultures of Asia. Sort out the apparent distinctions from the vantage-point of the notion of dynamic systems. To choose a most relevant starting-point for this, examine the topics thus implied from the standpoint of the way the society defines its responsibility, as a society, as a culture, for the well-being of the existence of the individual member of both present and future generations.

The best distinction of the European civilization traced from the Classical Greek culture, that of Solon’s Athens, as opposed to that of the Delphi cult’s Lycurgan Sparta, is the role of the Socratic principle of *agapē*, on which the greatest physical and moral achievements within European civiliza-

tion have been premised. This is the meaning of what is called “the general welfare principle.” We in the Classical tradition of Solon, Plato, and the Christian Apostle Paul, are each, individually, and in our role as society as a whole, responsible for the well-being of each and every person in society, a responsibility exercised by society as a whole, rather than within the limits of simpler interpersonal relations. It is the imposition of this responsibility, this accountability, self-imposed upon *the society as a whole*, which marks the advantage of European culture at its best.

The corollary of that is the accountability of each individual for society and its territory as a whole, and the society’s reciprocal responsibility for the care and development of both maintenance and development of the individuals and the territory as a whole. This dynamic quality of reciprocal, functional responsibility, is the distinction of the intent of the U.S. constitutional system. This is the system, despite the violation of that system by some U.S. governments, and by factional forces within the nation.

That principle, and the way in which that or some other principle is defined as a standard of performance by, and within the society, is more significant than the location, or specific language of a people.

The most crucial feature of any national culture, or its sub-culture, is the definition, or absence of belief in a principle of truth. The doctrines of Thomas Hobbes and John Locke, respectively, are instances of cultural currents which reject the notion of a universal principle of truthfulness with respect to matters of principle. Anglo-Dutch Liberalism generally, rejects a general principle of truthfulness, in favor of the specific kind of notions of “property” and “power over another person, or persons,” which are assumed, in practice, to supersede truth. The worst, most extreme expressions of this are the use of the notion of social power as property, as superseding contrary notions of truth.

In known history of the planet’s cultures as such, there are only two important conceptions of social organization, as typified by the opposing notions of sovereign nation and empire. The nation is typically defined by a unifying cultural principle as such a notion is in accord with the notion of a specific dynamic social system. The notion of the right of the individual person, or individual household, by virtue of being a part of that social system, is relatively crucial. The concept of the empire is typified by the description given by Aeschylus’ *Prometheus Bound* of the reign of the Olympian Zeus.

Take the case the Physiocrat François Quesnay, who defined the farmers on the aristocratic landlord’s estate as comparable to domesticated cattle, by his locating the origin of the gain denotable as profit of the estate to the magical powers reposing in the landlord’s title. The landlord was responsible for the care of the “human cattle” as for other categories of useful cattle, not as men and women. Mandeville, similarly, located the source of “public good” in the magical powers

of the untrammelled expression of private vice. Adam Smith borrowed both Quesnay’s and Mandeville’s magical recipes in his superstitious worship of the miracles wrought by an “invisible hand.”

The implications of this argument are best illustrated by studying the Eighteenth-Century 1763-1783 break of the set of the principal English-speaking colonies in North America from the British monarchy, and the clarification of that break by the 1789 U.S. Federal Constitution.

The predecessor of the 1763-1789 break from the British monarchy, was a change from the intention expressed by, for example, the initial founding of the Seventeenth-Century Massachusetts and Pennsylvania colonies, which was intended as a reform within the framework of the English nation-state monarchy, to the 1688-89 rupture of this relationship of colony and “mother country” caused by the process of takeover of England by the imperial power then represented by the Dutch and English India companies. The formal establishment of the imperial power of the British East India Company of Lord Shelburne et al., in the February 1763 Treaty of Paris, was a sharp break of the British nation from the principle of the European nation-state institution, the commonwealth conception, established under France’s Louis XI and England’s Henry VII, a qualitative change which led to immediate, aggravated conflict between the new imperium and the commonwealth ideals of the leading English colonies.

The distinctions between the newly established British East India Company’s empire of 1763 and the commonwealth form of nation-state expressed by both the 1776 U.S. Declaration of Independence and 1789 Federal Constitution, typify the application of the notion of Riemann’s conception of Dirichlet’s Principle to define the systemic break of the English-speaking North American republic from the British empire.

The frequent error in discussion of the nature of the original and continuing differences between the two societies, the U.S. commonwealth and the British empire, is the frequent failure to recognize that the nature of the essential differences between the two, separations of populations which share, by and large, a common language-heritage which is still defined, despite some significant differences, as centuries-old in many crucial respects. The prevalent, ignorant view, is to compare the two cultures from the standpoint of an assumed Cartesian type of interpersonal relations, as opposed to understanding the relations within a society as inherently dynamic, rather than Cartesian. Thus, in comparing the two political systems, not only is one imperial, and the other republican, but the internal relations are also ordered differently from the standpoint of the principles of dynamics. These differences in fact, and in interpretation respecting the comparison of the two systems, can be understood efficiently only from the standpoint of what Riemann defined as Dirichlet’s Principle, the standpoint to which Vernadsky points in showing that the

biochemical processes distinguishing the organization of the chemistry of living from non-living systems, are, as Vernadsky states, “Riemannian.”

The complication to be considered, in studying those categorical differences, is the fact that because the young U.S. republic was a relatively isolated phenomenon in the world, relative to the opposing, world-hegemonic systems of Europe, U.S. internal affairs and foreign relations were massively corrupted by the increasing hegemony of the British imperial system and its domination of world financial systems into the Twentieth Century, and the large degree of assimilation of the U.S. financial system into the world’s Anglo-Dutch Liberal financial-oligarchical order since the death of President Franklin Roosevelt. This complication, past and present, is aggravated by the role of a U.S. domestic financier-oligarchical component of the Anglo-Dutch Liberal world system, to the effect that the United States is, today, largely a quasi-autonomous part of the world’s presently dominant, Anglo-Dutch Liberal world financial-oligarchical system, the world’s present imperial system.

The principal corrupting influence on the U.S.A. has been the combined effect of the dominant role of the Anglo-Dutch Liberal system as a reigning, imperial form of financial system, and the role of the medium of the English language as a medium of transmission of cultural influence into the interior of U.S. life.

The long-ranging drive of the Anglo-Dutch Liberal financier-oligarchical establishment, over the post-Franklin Roosevelt period of world history, has been to destroy the institution of the sovereign nation-state republic throughout the planet, an intention which has been turned loose, full force, with the collapse of the Soviet system. The name given to this global destruction of sovereignty of nations, including that of the U.S.A. itself, is “globalization.”

The systemic characteristic of this transformation, most clearly since the middle to late 1960s, has been the destruction of the so-called “protectionist model” of the U.S. economy. The intent has been, including from the government of the U.S.A. itself, to destroy the role of the U.S.A. as a sovereign nation-state, by destroying the so-called “protectionist” system on which the superiority of the U.S. economy to that of other parts of the world had depended, prior to the 1971-1982 transformation of the U.S. into the presently bankrupt “service economy” rubbish-bin it has become. The intent of globalization is to make the poverty of the so-called “developing sector” permanent, by degrading the physical economies of the Americas and Europe to the notoriety of “Third World” conditions, and by making “Third World” conditions the standard for economy world-wide.

The stated intent of the British imperial system, the Anglo-Dutch Liberal system, as by Lord Shelburne, et al., since the beginning of that faction’s rule in the Netherlands and Britain, has been to establish a permanent world empire as

successor to the Roman Empire, an empire modelled upon the *ultramontane* system under which medieval Europe was dominated by the partnership of the Venetian financier oligarchy with the Norman chivalry of Crusades’ notoriety.

This presently bankrupt world financier-oligarchical system is a true imperial system in the tradition of the domination of the medieval world by the alliance of the Venetian financier oligarchy with the Norman chivalry.

The Moral Purpose of Economy

The characteristic distinction of the human species, is a process of ongoing change, from generation to generation, which is typified in a healthy state of society, by scientific-technological and related progress in the well-being of a growing human population as a whole. This distinction is inseparable from the notion of a certain kind of individual human immortality. This notion expresses the sense that the animal-like aspect of human mortality is only a necessary part of the metagenesis of the human personality and the essential self-interest of that personality. We all die. Therefore, the question is: To what future purpose shall we have lived?

This immortality is expressed, beyond the bounds of the mortal flesh, by those qualities of ideas which transform the quality of human activity in an upward direction, thus elevating the condition and fruitfulness of the existence of the individual, and of the continuing existence of the immortal humanity of which the mortal life of the individual, as expressed by the ideas which are unique to the human species, is an essential moment of the eternal whole.

Any contrary view of the goal of individual life, is a parody of bestiality. Unfortunately, the parody is prevalent, and the remedy relatively rare.

Admittedly, increased wealth, in the sense of the individual’s increase of average power for good over nature, is necessary. However, when this is regarded as a goal in and of itself, the purpose of mortal human life is overlooked, and often betrayed.

The human species, in its well-informed state of conscious existence, yearns for agreement with the intent of the living, personal Creator of the universe, and hastens to realize that agreement, in some feasible, significant way, during the course of a lifetime of mortal existence. As the Creator changes the universe, we must proceed in a like manner. We must produce, immediately, above all else, more suitably developed human individuals than we ourselves have represented. We must produce the conditions of life, of human activity, which permits the realization of that intention. Hence, progress, as only typified by scientifically driven physical economic progress in the human condition, seems to be an end in itself. It is not an end itself; it is the footsteps left by the march of that true, higher intention. The greatest satisfaction in living is to know the higher purpose which requires those footsteps through the passage of time.

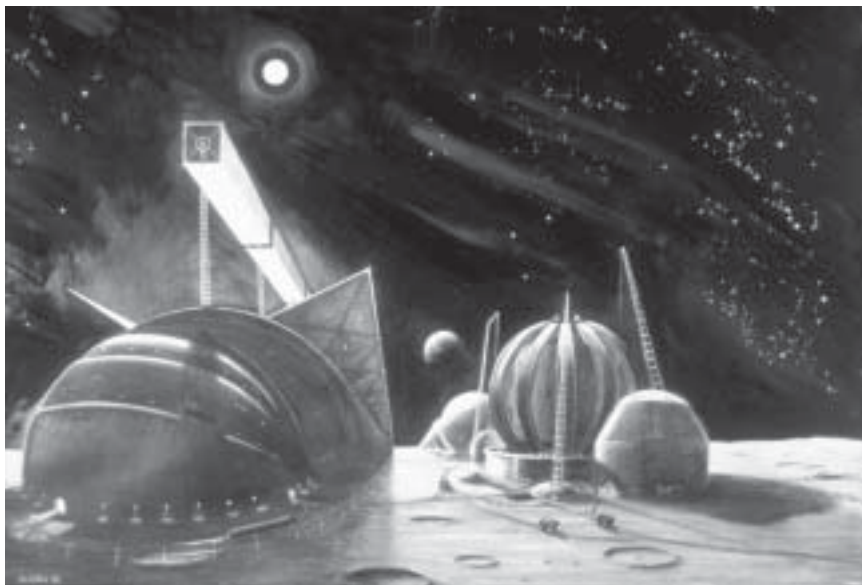


Illustration by Christopher Sloan

Fusion power plants on the Moon, as envisioned by space scientist Krafft Ehrlicke. "The latter half of the present century must see the foundations of a change in economic policy, to the kind of Earth-reforming policy needed to escape the limits to growth in population and welfare which would tend to be imposed if we do not make the large-scale scientific-revolutionary changes needed to expand the capacity of the Biosphere and Noösphere. . . ."

Thus, human existence in that mode of progress, is a self-subsisting intention, and the only true source of satisfaction in being a mortal human individual.

In that precise sense, science-driven economic and cultural progress is an end in itself, a policy in itself. The function of the sovereign nation-state republic is to provide the vehicle of physical change, and of protection and promotion of the individual which is needed for the development of the quality of the mental life of that individual according to that policy.

The empire, as a notion, is, and always has been a form of evil, the British Empire has been no exception to this, and the form of globalization the nearest approximation of the perfectly satanic principle embodied in the tradition of the Venetian financier-oligarchy yet conceived.

The Role of Economic Cycles

The usual notion of "economics" we encounter today, is expressed in the form of a notion of economy based on the principle of satisfying one's appetite by stealing apples from the neighbor's tree.

Most of the improvements in the short-term condition of individual life in society today are, in fact, products of long-term investments in improvements in basic economic infrastructure and technology of physical production. The typical units required as standards for study of the dependency of short-term productivity on long-term investments are one and two generations, each, in today's society of European stan-

dards of culture, of about a quarter century. For example, a typical modern power-installation is an investment with a physical life of approximately a single such generation. Approximately half of the annual expenditure of a civilized society today is expended on investment in long-term basic economic infrastructure.

This fact led to such doctrines as the notion of Kondratieff waves, presented by the Russian economist N.D. Kondratieff. The promotion of the doctrine of Kondratieff waves in the U.S.A. and elsewhere, depended significantly on a *post hoc, ergo propter hoc* representation of observed economic history; but there is a sound scientific, and also moral reason underlying the usually misinterpreted name of that phenomenon.

The usual discussion of Kondratieff waves suffers from the same mental disorder permeating today's international practice from the influence of the same British school of political-economy on which the doctrines of Karl Marx et al.

were premised. The famous three studies by the Kondratieff school illustrate the point. Those three waves were determined not by the capital cycles of investment in the technologies of physical capital, but by, chiefly patterns of business-cycle developments. These were affected by technological considerations, but were determined chiefly by political, rather than physical economic-theoretical considerations.

Contrary to that particular bit of ill-fated outcome of the attempted applications of Kondratieff's conception, the matter of technological "long waves" in investment of physical capital, has a large degree of validity, on condition that the subject is addressed from the standpoint of a science of physical economy, rather than the varieties of Anglo-Dutch Liberal dogmas which influenced the production of the weak reputation gained by Kondratieff's argument. Once we have adopted a science of physical economy as the needed alternative, we must then be certain that we conceive of a physical economy as a Riemannian mode in dynamic systems, freed of the usual nonsense of generally accepted accounting practice and related schools of political-economy today. In that case, by restating the intention of Kondratieff in this way, a valid approach to the subject of real-economic "long waves" will emerge.

The point of reference which must be adopted, as a point of departure for such studies of the dominant role of long physical-economic cycles is the dominant role of long-term capital cycles of *physical capital investment* as the principal,

underlying driver required for the realization of physical gains from short-term innovations.

Concretely, as I have emphasized this in other locations, the combination of the financial bankruptcy of the presently “globalized” world system and the unresolved domination of most of Asian cultures by unspeakable qualities of perpetual impoverishment, determines the need for a specific long-wave policy of not less than two generations’ duration for the planet as a whole. We must create a new social-economic model in Asia, and Africa, and reconstruct the nation-state-republic model of economy once best typified by the U.S.A. in Europe. The net effect of this new policy must be a long physical-economic wave of dynamic reorganization of society, away from the present predominant Asian and African models, in which the general welfare of all of the population of each nation, and of the regions as a whole, are the “motor” of development for the planet as a whole.

Given, the fact that the nations of Europe and the Americas, among others, are presently hopelessly bankrupt under the present world and most national systems, we can not avoid the full unleashing of a planetary new dark age of all humanity, more or less immediately, unless we place the present world monetary-financial systems into general reorganization in bankruptcy by sovereign national governments.

Under such reorganization in bankruptcy, the sovereign nation state’s natural monopoly on the creation of national credit is used to utter long-term loans of up to two generations’ maturation, for the combined purpose of reconstruction and physical-capital transformation of the planetary system into a system of sovereign states, which are each and all composed in defense of the general welfare of all of their population. This aim is to be accomplished chiefly by deploying high rates of gain in scientific and technological progress, with heavy emphasis on the development, chiefly by governments and concerts of governments, of the kind of basic economic infrastructure needed to support the needed high rates of physical productivity, per capita and per square kilometer, throughout the totality of the territory of each nation, and the planet as a whole.

This great reform of the planet requires great emphasis upon the universal upgrading of the scientific and technological potential of the individual, both in society as general social systems, and at the legendary “point of production.”

This will require the massive uttering of very-long-term capital, as loans, over a period of two successive generations. The emphasis on capital formation rooted in basic economic infrastructure, while promoting the development of the individual, requires high rates of scientific and technological progress. Such a program defines a systemic, physical-economic long wave of development, a programmatic emphasis on a science-driven high rate of raising of the level of generally practiced forms of technology, and increase of physical capital-intensity per capita and per square kilometer.

Such objectives require the scrapping of the lunacy of a

“free trade” policy, and a policy under which the protection of the physical productivity of the individual and the region is provided by the kind of fair trade, protectionist policies practiced formerly in the most successful cases of modern nation-state economies. The intention of the reforms instituted under U.S. President Franklin Roosevelt, and the extent to which such reforms were continued and spread during the first two post-war decades, is a standard of reference to be considered in designing the long-term policy-reforms required.

The included principle involved, is that the sovereign nation-state as a whole is responsible for the assured welfare of each and all of its population and that population’s posterity within the reach of the visible economic future horizon, rather than attempting to localize responsibility within smaller portions of the total population. Either we are a humanist society, a humanist culture, or we are not. On this account the principle of the general welfare of the population of nations and among nations must become inviolable throughout the planet.

The supreme principle of statecraft, as science, must be “nothing exists but change.” We must secure a safe foundation for the changes which will build the intended future, on the condition that we create a secure immediate platform, in the present, for the journey into the transformed future world.

The immediate objectives for such a change in the practiced policies of, and among the planet’s nations require that the next two generations, approximately fifty years, must be devoted to building the global system of sovereign nation-states which removes the current “Asian factor” of relative insecurity from the planet, through a planet-wide commitment to science-driven development. Beyond those two coming generations, the latter half of the present century must see the foundations of a change in economic policy, to the kind of Earth-reforming policy needed to escape the limits to growth in population and welfare which would tend to be imposed if we do not make the large-scale scientific-revolutionary changes needed to expand the capacity of the Biosphere and Noösphere to support future improvement in the condition of human life within each and all of our nations.

With such a perspective, let it now be said, that it is a very good thing to have the opportunity to be a mortal human being. That is no “utopian goal”; it is a step up from the present predominance of bestiality among the nations today, to the practical realization of that sense of constructive purpose which defines what a true human being must be, in any part of the history of our species. Those from the past who have understood and adopted this practical view of human life have made possible the present hope for the future of mankind today. It is time for mankind to grow up; the changes we could make in the world in our time, are limited; but, the very practical changes for the better we could make in ourselves, are not.

A New 'Halloween Massacre' Will Sink Cheney-Rumsfeld

by Jeffrey Steinberg

On Oct. 31, 1975, President Gerald Ford announced a Cabinet shakeup that would soon come to be known as the "Halloween Massacre." Ford fired National Security Advisor Henry Kissinger, replacing him with Gen. Brent Scowcroft (Kissinger retained his post as Secretary of State). He fired CIA Director William Colby and replaced him with George H.W. Walker Bush, and he fired Defense Secretary James Schlesinger and replaced him with his White House Chief of Staff, Donald Rumsfeld. Rumsfeld's deputy, Richard Cheney, moved up to be the Chief of Staff.

Thirty years later, another "Halloween Massacre" is on the verge of taking place—this one, far less to the liking of Rumsfeld and Cheney. With indictments of top White House officials imminent, Lyndon LaRouche has declared that the "post-Cheney era" in American politics has already begun. LaRouche has announced a Washington, D.C. webcast for Nov. 16, at which he will discuss the profound global policy implications of the fall of the most powerful Vice President in American history; a Vice President whom honest future historians will perhaps equate with another treasonous holder of that high office, Aaron Burr.

The Dam Has Broken

As we go to press, Special Counsel Patrick Fitzgerald has not yet announced any indictments in the Valerie Plame leak investigation, which he launched in December 2003. But such indictments are believed to be just days away, and are expected to include, at a minimum, Deputy White House Chief of Staff Karl Rove and Vice President Cheney's own chief of staff and chief national security advisor, I. Lewis "Scooter" Libby. However, sources say that a number of senior White House officials are scrambling, at the last minute, to negotiate

plea deals, and therefore, the precise outcome of the grand jury deliberations cannot yet be predicted.

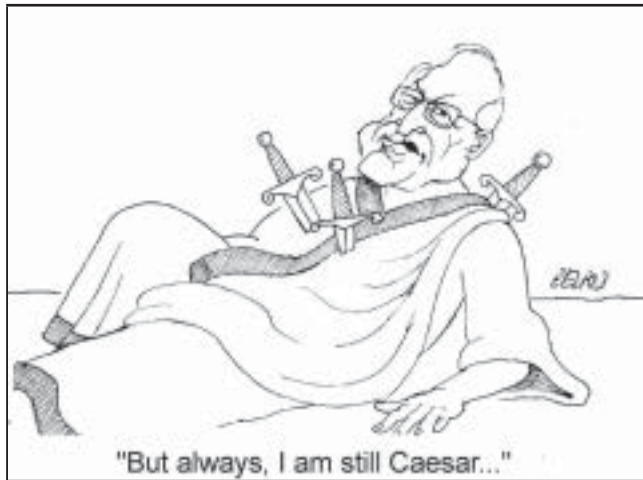
Among the growing list of Bush-Cheney White House officials rumored to have "flipped" are Cheney's deputy national security aide John Hannah and Middle East advisor David Wurmser. According to one senior Republican Party strategist, even Libby has been advised by his longtime law partner and mentor Leonard Garment, that Cheney is "too far gone to save," and Libby should think about limiting the damage to his own hide.

Sen. John McCain (R-Ariz.)—who makes no bones about the fact that he would gladly replace Dick Cheney as the "white knight" Vice President, salvaging Bush's incredible shrinking Presidency—was on the West Coast in early October, raising funds from big-bucks Republican donors, and his message was: The Bush-Cheney Administration is going down, and only President Bush stands a possible chance of surviving the massacre.

One clear sign that Fitzgerald is about to move against the "Cheney cabal" is the fact that, on Oct. 21, the Office of Special Counsel launched a website (www.usdoj.gov/usao/iln/osc/index.html), to provide the public with easy access to information about its actions.

The Fitzgerald case revolves around top White House officials, who, in June-July 2003, provided at least six journalists with the identity of Plame, a CIA career officer whose status as a "non-official cover" agent was "top secret."

Plame is the wife of former Ambassador Joseph Wilson IV, who conducted a mission to Niger on behalf of the CIA in February 2002. Wilson's assignment: to check out intelligence, provided by the Italian secret service SISMI in the form of Niger government documents, that Saddam Hussein



was secretly attempting to purchase uranium to build a nuclear bomb. Wilson's mission came as the result of intensive pressure on the CIA by Vice President Cheney and "Scooter" Libby, to come up with evidence to justify a U.S. military invasion of Iraq to overthrow Saddam Hussein. Saddam's quest for nuclear weapons would be Cheney's chief propaganda weapon in bludgeoning support from Congress and the public for an unwarranted, disastrous war.

Wilson came back from Niger and reported that he found no evidence that such Iraq-Niger deals had taken place or were being contemplated. His findings were buttressed by similar probes by the U.S. Ambassador, and by a U.S. Marine general who made a similar fact-finding trip to Niger, on behalf of the Pentagon.

Nearly two years into his probe, Fitzgerald, according to a wide range of Washington sources, has amassed a powerful case against Rove, Libby, and other members of the White House Iraq Group (WHIG), a "plumbers unit" comprised of senior White House staffers, whose mission was to lay the propaganda foundations for an Iraq invasion, and to counter any opposition to the war, before, during, and after the invasion.

WHIG was launched in July-August 2002 at the initiative of White House Chief of Staff Andrew Card, and included, in addition to Rove and Libby, National Security Advisor Condoleezza Rice, her deputy (now National Security Advisor) Stephen Hadley, Karen Hughes, and a half-dozen others. But, as one former intelligence officer put it, "Cheney was the chairman of the WHIG." In recent days, as the current phase of his investigation entered end-game, Special Counsel Fitzgerald reportedly issued a series of interrogatories, seeking details about Cheney's participation in WHIG meetings.

Institutional Action

Fitzgerald's probe, instigated by CIA pressure on the Bush Administration to bring the Plame leakers to justice, is

part of a larger U.S. institutional move to oust the Cheney cabal. Leading military, intelligence, and diplomatic figures of stature have taken the gloves off against Cheney, Rumsfeld, and the neo-con apparatus.

Following a published call by Gen. William Odom (USA-ret.) for a U.S. withdrawal from Iraq, on Oct. 19, Col. Lawrence Wilkerson (USA-ret.) delivered a powerful attack on Cheney and Rumsfeld by name, at a Washington, D.C. event sponsored by the New America Foundation. A 31-year Army veteran, Wilkerson spent 16 years serving under Gen. Colin Powell, including four years as Powell's State Department chief of staff.

Wilkerson charged that what he saw in the Bush 43 Administration "was a cabal between the Vice President of the United States, Richard Cheney, and the Secretary of Defense, Donald Rumsfeld, on critical issues that made decisions that the bureaucracy did not know were being made" (see accompanying article).

The Odom and Wilkerson verbal assaults on Cheney and Rumsfeld have been complemented by a non-stop barrage of media leaks, intended to foster a political climate where Cheney is forced to resign—right away.

Niger Documents Revisited

A number of well-placed sources have confirmed to *EIR* that, in recent days, both Fitzgerald and Paul McNulty, the U.S. Attorney for the Eastern District of Virginia, have received copies of a confidential Italian parliamentary investigation into the origins of the forged Niger government documents, which were the source of the SISMI Iraq-Niger uranium allegations. Reportedly, the document names several Americans, including self-professed "universal fascist" Michael Ledeen, and former CIA Rome station chief and Iran-Contra figure Duane Clarridge, as suspected participants in the forgery plot. Ledeen has been a fixture in the postwar fascist underground in Italy, through such agencies as the Propaganda Two freemasonic lodge and the Monte Carlo Lodge.

Unfortunately for Ledeen, who is also one of the most rabid of the neo-con "permanent war" proponents at the American Enterprise Institute, his involvement in the Niger scheme may have also involved Lawrence Franklin, the Pentagon Iran desk officer, who has now pled guilty to passing classified Pentagon documents to officials of the American Israel Public Affairs Committee (AIPAC) and the Israeli Embassy. Ledeen travelled to Rome in December 2001 with Franklin and Pentagon neo-con Harold Rhode, and met with SISMI officials and another former Iran-Contra swindler, Manucher Ghorbanifar.

As a condition of a plea agreement he reached with McNulty on Oct. 5, Franklin agreed to cooperate with the FBI and Federal prosecutors on any investigations, including the Niger forgery case, which is being run out of the Eastern District of Virginia.

Top Republican Evokes Eisenhower, Blasts ‘Cheney-Rumsfeld Cabal’

by Edward Spannaus

A scathing attack on the Cheney-Rumsfeld “cabal” that is running the current Administration, and high praise for Presidents Dwight Eisenhower and George H.W. Bush, were delivered on Oct. 19 by Col. Larry Wilkerson (ret.), who served as chief of staff for former Secretary of State Colin Powell from 2001 to early 2005. Wilkerson’s statement, delivered at the New America Foundation in Washington, was taken as representing the thinking of a section of traditionalist Republicans, and at least some of the Bush 41 circle.

No Administration in history has screwed up the national security decision-making process as badly as the George W. Bush Administration, Wilkerson said. He blamed this on “a cabal” between Vice President Dick Cheney and Secretary of Defense Donald Rumsfeld, which made decisions for the Administration in secret, and who represented what Eisenhower called the “Military-Industrial Complex.”

Wilkerson served 31 years in the U.S. Army, and worked for 16 years for Colin Powell, including in the Bush 41 Administration, in which Powell was Chairman of the Joint Chiefs of Staff. He is the former Associate Director of Policy Planning for the U.S. Department of State, and has taught at both the Naval War College and the U.S. Marine Corps War College.

Wilkerson was introduced by Steve Clemons of the New America Foundation, who referenced the policy debates and discussions within the Eisenhower Administration. Following are excerpts of Colonel Wilkerson’s remarks:

Col. Larry Wilkerson: I couldn’t help but grow somewhat nostalgic as Steve was talking about Dwight Eisenhower. Though I was 7 to 15, roughly, during his tenure as President, I sometimes find myself longing for it, especially President Eisenhower’s rather conformistic—if that’s not too big a word—approach to the 1947 National Security Act. In other words, he thought it was a piece of legislation that was passed by the Congress of the United States, the people’s representative, and he damn well ought to follow it, and did so probably to an extent that few Presidents, if any, have since. . . .

I have two approaches to what Steve was alluding to as my topic today. The one is the approach of an academic. For some six years at the Naval War College at Newport, and then

at the Marine Corps War College at Quantico, I taught some of the brightest people in America, 35- to 40-year-old military officers of all services, both genders, and all professional skills within the services. . . .

Now, before I turn to the formal part of my presentation, which is a little bit of history, let me just say that the other side the reason my views are bifurcated—the other side—is my practical experience; practical experience sitting at the right hand of a very powerful chairman of the Joint Chiefs of Staff, underneath a very powerful Secretary of Defense by the name of Richard Cheney, and watching probably one of the finest Presidents we’ve ever had—that’s how I feel about George H.W. Bush—exercise one of the greatest adeptnesses at foreign policy I’ve ever seen. So many things happened in George H.W. Bush’s four years, that I think when historians write about it with dispassion—25-30 years from now—they’re going to give that man enormous credit for knowing how to make the process work. It took them awhile; took them about nine to ten months to get their act together, but once they did, they worked very well. . . .

I saw the Clinton Administration, up close and personal. It took them a little longer than that to get their act together; and in a very intimate way, I saw the George W. Bush Administration, from 2001 to early 2005. . . .

So I have two approaches, if you will: the academic over here, and the practitioner over here, and sometimes I get them confused. The ground is so rich for an academic, and for a person who has taught the National Security Act, and what has come out of the National Security Act, that I sometimes get too candid, if you will.

On the other hand, as a practitioner and as a citizen of this great Republic, I kind of believe that I have an obligation to say some of these things, and I believe, furthermore, that the people’s representatives over on the Hill, in that other branch of government, have truly abandoned their oversight responsibilities in this regard, and have let things atrophy to the point that if we don’t do something about it, it’s going to get even more dangerous than it already is. . . .

Decisions that send men and women to die, decisions that have the potential to send men and women to die, decisions that confront situations like natural disasters, and cause needless death or cause people to suffer misery that



New America Foundation/Sarah Brennan

Col. Larry Wilkerson (ret.): “What I saw was a cabal between the Vice President of the United States, Richard Cheney, and the Secretary of Defense, Donald Rumsfeld, on critical issues that made decisions that the bureaucracy did not know were being made. . . . America is paying the consequences.”

they shouldn't have to suffer—domestic and international decisions—should not be made in a secret way. That's a very, very provocative statement, I think. All my life I've been taught to guard the nation's secrets. All my life I have followed the rules. I've gone through my special background investigations and all the other things that you need to do, and I understand that the nation's secrets need guarding, but fundamental decisions about foreign policy should not be made in secret.

Let me tell you the practical reason. . . . If you as a member of the bureaucracy do not participate in a decision, you are not going to carry that decision out with the alacrity, the efficiency, and the effectiveness you would if you have participated. When you cut the bureaucracy out of your decisions, and then foist your decisions, more or less out of the blue, on that bureaucracy, you can't expect that bureaucracy to carry your decision out very well. And furthermore, if you're not prepared to stop the feuding elements in that bureaucracy as they carry out your decision, you're courting disaster.

And I would say that we have courted disaster in Iraq, in North Korea, in Iran. Generally, with regard to domestic crises like Katrina, Rita, and I could go on back, we haven't done very well on anything like that in a long time. And if something comes along that is truly serious, truly serious, something like a nuclear weapon going off in a major American city, or something like a major pandemic, you are going

to see the ineptitude of this government in a way that will take you back to the Declaration of Independence. . . .

Now, let me get a little more specific. . . . Almost everyone since the '47 act, with the exception, I think, of Eisenhower, has in some way or another perturbed, flummoxed, twisted, drew evolutionary trends with, whatever, the national security decision-making process. I mean, John Kennedy trusted his brother, who was Attorney General—made his brother Attorney General, far more than he should have. Richard Nixon, oh my God, took a position that was not even envisioned in the original framers of the Act's minds, National Security Advisor, and not subject to confirmation by the Senate, advice and consent— took that position and gave it to his Secretary of State, concentrating power in ways that still reverberate in this country. Jimmy Carter allowed Zbig Brzezinski to essentially negate his Secretary of State.

Now, I could go on and say what Sandy Berger did to Madeleine Albright in the realm of foreign policy, and I could make other provocative statements too, but no one, in my study of the Act's implementation, has so flummoxed the process as the present Administration.

. . . But the case that I saw for four-plus years was a case that I have never seen in my studies of aberrations, bastardizations, perturbations, changes to the national security decision-making process. What I saw was a cabal between the Vice President of the United States, Richard Cheney, and the Secretary of Defense, Donald Rumsfeld, on critical issues that made decisions that the bureaucracy did not know were being made. And then, when the bureaucracy was presented with the decision to carry them out, it was presented in such a disjointed, incredible way that the bureaucracy often didn't know what it was doing as it moved to carry them out. . . .

In so many ways I wanted to believe for four years that what I was seeing—as an academic now—what I was seeing was an extremely weak National Security Advisor, and an extremely powerful Vice President, and an extremely powerful, in the issues that impacted him, Secretary of Defense. Remember, a Vice President who has been Secretary of Defense too, and obviously has an inclination that way, and also has known the Secretary of Defense for a long time, and also is a member of what Dwight Eisenhower warned about— God bless Eisenhower—in 1961, in his farewell address,¹ the Military Industrial Complex, and don't you think they aren't among us today, in a concentration of power that is just unparalleled? It all happened because of the end of the Cold War. Harlan [Ullman] will tell you how many contractors who did billions of dollars or so of business with the Defense Department we had in 1988 and how many do we have now. And they're always working together.

If one of them is a lead on the satellite program—I hope there's some Lockheed and Grumman and others here today,

1. For background on the Eisenhower Farewell Address, see “The Enigma of the Fulbright Memorandum,” by Edward Spannaus, *EIR*, Feb. 15, 2002.

Raytheon—if one of them is a lead on satellites, the others are subs [subcontractors]. And they’ve learned their lesson; they’re in every state. They’ve got every Congressman, every Senator. They’ve got it covered. Now, that’s not to say that they aren’t smart businessmen. They are. But it’s something we should be looking at.

So you’ve got this collegiality there between the Secretary of Defense and the Vice President, and you’ve got a President who is not versed in international relations, and not too much interested in them either. And so it’s not too difficult to make decisions in this what I call Oval Office cabal, and decisions often that are the opposite of what you’d thought were made in the formal process. . . .

Now, let’s get back to Dr. Rice again. For so long I said, “yeah, Rich, you’re right”—Rich being Undersecretary of State Richard Armitage—“it is a dysfunctional process.” . . . Now I’ve come to a different conclusion, and after reading [George] Packer’s book, I found additional information, or confirmation for my opinion, I think. I think it was more a case of—in some cases there was real dysfunctionality, there always is—but in most cases it was Dr. Rice made a decision . . . She made a decision that she would side with the President to build her intimacy with the President.

And so what we had was a situation where the National Security Advisor, seen in the evolution over some half-century since the Act as the balancer or the person who would make sure all opinions got to the President, the person who would make sure that every dissent got to the President that made sense—not every one, but the ones that made sense—actually was a part of the problem, and probably on many issues sided with the President and the Vice President and the Secretary of Defense. And so what you had—and here I am the academic again—you had this incredible process where the formal process, the statutory process, the Policy Coordinating Committee, the Deputies Committee, the Principals Committee, all camouflaged, the dysfunctionality camouflaged the efficiency of the secret decision-making process.

And so we got into Iraq . . . And there are so many decisions. Why did we wait three years to talk to the North Koreans? Why did we wait four-plus years to say we at least back the EU-3 approach to Iran?

. . . [I]t made decisions in secret, and now I think it is paying the consequences of having made those decisions in secret. But far more telling to me is, America is paying the consequences. You and I, and every other citizen like us, is paying the consequences, whether it is a response to Katrina that was less than adequate certainly, or whether it is the situation in Iraq, which still goes unexplained. You know, if I had the time I could stand up here today I think, and make a strategic case for why we are in Iraq and why we have to stay there, and we have to get it right. . . .

Wilkerson responded to a question about the Bush 41 Administration, as follows, in part:

I think what George H.W. Bush did in the short four years that he was in office was just phenomenal. Let’s just begin the discussion with the reunification of Germany. When I say secretive, I don’t necessarily mean exposed to the full public glare on the front page of both the *New York Times* and the *Washington Post*. I mean the leaders involved in it, the allies involved in it, and those who will be impacted by it, largely in this case the Russians, are not only consulted but asked for their opinion, and even have evidence to take back with them that their opinion was not just listened to, but the better points—and there are almost always good points in even the Russians’ presentation—have been implemented, or seem to be being implemented.

There’s a whole road of difference, a huge interstate of difference, between diplomacy conducted with all the parties that might be impacted by the results of that diplomacy, and a decision being made and foisted on the world, as it were. . . .

When you put your feet up on a hassock and look at a man who’s won the Nobel Prize and is currently the President of South Korea, and tell him in a very insulting way that you don’t agree with his assessment of what’s necessary to be reconciled with the north, that’s not diplomacy, that’s cowboyism. And I went to high school in Houston—I’ve got some connections with Texas. But there’s just a vast difference between the way George Bush dealt with major challenges, some of the greatest challenges at the end of the 20th Century, and effected positive results, in my view, and the way we conduct diplomacy today.

I like to use the word gracelessness, and I use that word because grace is something we have lost in the modern world. It’s a very important product. It’s very different, for example, to walk in with a foreign leader and find something you can be magnanimous about. You don’t have to win everything. You don’t have to be the big bully on the block. Find something you can be magnanimous about, that you can give him, that you can say he gets credit for, or she gets credit for. That’s diplomacy. That’s diplomacy. You don’t walk in and say, I’m the big mother on the block and if everybody’s not with me, they’re against me, et cetera, et cetera, et cetera. The difference between father and son, in my mind, sort of comes from that attitudinal approach to the world.

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LaRouche Continues Dialogue With Congress

A number of questions sent to Lyndon LaRouche after his Oct. 12 webcast, by Congressional and other leading Washington figures, and his answers, appear below. The webcast appeared in last week's EIR, and is archived in video at www.larouchepac.com.

What About Environmentalism?

From House Committee on Science staffer: Mr. LaRouche, in many of your previous statements and writings you have been very hard on people you identify as environmentalists. Your supporters seem to have little toleration for what they identify as “greenies.” I know that there are people in the environmentalist movement who are strongly anti-technology and anti-development, but I don't think it is fair to characterize the entire environmentalist movement as such. Specifically, one of the issues that has emerged in the wake of Hurricane Katrina has to do with a failure to protect wetlands. There are numerous scientific reports that indicate that the decision to lift barriers that protected wetlands from irresponsible development played a role in drawing Katrina overland, and increased the strength and velocity of her currents.

My general question is this: How can you dismiss environmental concerns out of hand the way that you do, given the insane behavior of real estate speculation, etc.? Secondly, do you think that there is any merit to the assertions that the failure to protect wetlands added to damage done by Katrina and other such storms? Is wetland protection a completely bogus issue as far as you are concerned?

LaRouche: The list of issues posed by the so-called “environmentalist movement” are a mish-mash of particularized topics, some expressing valid concerns, others policies which are inherently a threat to humanity. My view of the movement is that it is an unnecessary institution, since every legitimate concern, such as the matter of marshlands, is correctly defined as a matter of science, rather than the kinds of wild-eyed sentiment typical of the bearers of “environmental concerns.” Overall, the movement, as a movement, is anti-scientific in its method, as the fraudulent banning of DDT attests, and therefore dangerous to mankind. My point is, scrap it as a kind of pagan religious cult, and, instead, restate whatever might be the valid points of the agenda from the standpoint which have been presented as the implications for today of what was launched by Vernadsky under the topical headings of Biosphere and Noösphere.

Take the case of the pagan-fanatical belief that “global warming” is a product of carbon-dioxide emissions. The issue is predominantly the effect of changes, some cyclical, within

the Solar System at large, or even the Sun itself (e.g., solar flares). In reality, a modest increase of carbon dioxide in the atmosphere, mixed with moisture, cools the Earth through increasing the rate of growth of biomass through photosynthesis. Trees and forests are an enhancement of the environment, even crop plants, and pastures, or, notably marshlands, lower the temperature, while also strengthening the Biosphere in its role as a platform on which society's technological development and general progress depends.

For example, treating desert areas as a state of nature to be defended, is promoting death, not life.

The danger from the “environmentalist” movement's influence lies in its specific irrationalities, including the fact that its method is mechanistic, whereas the processes of the Biosphere and Noösphere are, as defined by Vernadsky, specifically anti-mechanistic, dynamic processes.

On the subject of matters such as real-estate speculation, here we are dealing with the effect of lunatic economic-policies. What has been done to the U.S., in the hectic spread of suburbanization: Look at Loudoun County, Virginia, which is currently a waiting ground-zero site for the most intense implosion of an overripe mortgage-debt-bubble in America. Hollywood-set-style construction of shacks at mortgages of over \$400,000 and up, poorly assembled with tacks, now soaring at speculative, mortgaged valuations three to four times the sustainable price under presently onrushing conditions, is not an “environmental issue” as such, although it does have a horrid effect on the environment, but a product of an ideological binge of “free-trade” ideology.

Look at the changing map of the U.S.A., as a whole, as my associates and I study changes in characteristics, county by county, over the recent 40 years. Look at the insanity of urban life from the standpoint of walking-distance access from home to school, to shopping areas where most of the requirements of daily life are adequately satisfied, to medical care, to family qualities of recreation, to efficient, cheap mass transportation. Get the U.S. out of its compulsory imprisonment in long daily rides in automobiles, to the freedom of a life which does not depend upon the automobile for almost each and every one of the essential minutiae of daily personal and family life. Let the family household join for dinner together on most days of the week, as in times of my memory past, and resume the cultivation of the individual household into the mainstream of society, more or less as a former generation was still somewhat enabled to do.

For the case of Katrina, look at the area's history since Betsy. Essentially nothing has been done which Betsy already demonstrated to be essential for a port area on which most of the economy from the Canada border down, between the Alleghenies and Rockies, has depended. The maintenance of wetlands was a matter of scientific concern before the first official “environmentalist” was discovered. Failing to develop the region, even back during the late 1960s, to resist a Category 5 hurricane, represents unconscionable negligence

of a type which has reigned increasingly since President Richard Nixon embraced the lunacies of Professor Milton Friedman. Compare this case with the onrushing collapse of all categories of our national infrastructure over the recent 35 years since Nixon et al. brought the Bretton Woods system to an end, and Brzezinski's Trilateral Commission during 1977-81 destroyed the basic economic infrastructure of our nation.

Environmentalists are useful only in a society in which policemen are needed to force children and adults alike to change their underwear once in awhile. Issues should be addressed because the issue is a rational one; in a rational society, environmentalists are not needed, but real scientists are.

We must shift to affirmative measures of developing our future, and use that as the method for cleaning up what needs to be cleaned up.

For example, the use of high-temperature gas-cooled reactors, as standard general power-sources in regions, points to the generation of hydrogen-based fuels, whose most notable waste is water, rather than the transportation of inherently cheap combustible fuels at great relative costs per ton over vast distances. Replacing greatly excessive dependency upon highway vehicles with high-speed rail or, better, maglev transport is the mark of building a better, cleaner world.

The Future of New Orleans

From the Congressional Black Caucus: Mr. LaRouche, it is becoming increasingly clear that when some people talk about rebuilding New Orleans, what they really mean is rebuilding the city so that it is no longer "as black"—with all that that phrase implies. One of the immediate dilemmas that has come to the fore is the question of tens of thousands of dwellings in the area that remain standing. These are homes owned by poor people who are being told that the homes are no longer safe and must be bulldozed. While we do not want to send people back to live in structures that are unsafe, we are also reluctant to accept that the only solution is wholesale flattening of entire communities. An increasing number of people believe that, under the cover of rebuilding in the wake of Katrina, the government is doing the equivalent of "ethnic cleansing" in the region. Please comment.

LaRouche: On this point, the foremost problem is, that some fearful souls are afraid to say that some policies shared among some governmental faction and their friends of the financial-scamming world are about as immoral as Adolf Hitler when it comes to practice. They wish a gentrified village of habitués of gambling casino-culture, from which the former inhabitants of the area have been sent off to die, and people with certain well-known social prejudices can smile with a sense of victory, not over poverty, but over the helpless poor.

New Orleans is, by its nature, and its social and economic history as a polyglot, a metropolitan city, at a juncture where the oceans of the world meet the mouth of the Mississippi. It is the aperture of access to the product and culture of an entire region of the U.S.A., from the border of Canada down, be-

tween the Rockies and Alleghenies and the rivers and other waterways and former railway systems within, to the world, and from the world in return.

We must also show caution. When solar flares blare, the heated water of the oceans blends with the Amazon High, and the Atlantic and Pacific tropical areas compete, and alternate the priority of each, in delivering the accumulated heat of the summer waters northward, delivering this power in clumps called storms.

When I crossed the Pacific, during my wartime service, we travelled by a solitary converted passenger liner armed with some six-inch guns, Oerlikons, and kindred impedimenta, travelling at speeds deemed more than swift enough to outrun Japan submarines. Each day, we assembled on deck, to watch the six-inch guns perform. One time, we crossed the Equator, and enjoyed the silliness of that moment. There were times in which this stout young ship was caught by a storm. I came out of quarters, to get away from the mass vomiting among my shipmates, and braced against a bulwark looking into the stormy sea ahead, and enjoying it all (avoiding the stench below). I enjoyed it because we were inherently safe, and such experiences are a testament to the achievements of mankind.

So let it be with New Orleans and the region with which it is associated.

All relevant matters should be placed in the perspective of the presently onrushing greatest, early general physical as well as financial economic collapse in all modern history. This collapse is already a boundary-condition of the economy at large. Either that attitude changes rapidly, or there will not be much for bigots of the type to which we are referring here to squabble about. Even such fools as they are, need what we need to see done.

Greenspan and Hyperinflation

From senior staff, House Banking Committee: Mr. LaRouche, you said that [Federal Reserve chairman Alan] Greenspan's actions in the wake of the '87 stock market crash are what is responsible for the current speculative bubble. Can you talk a little bit more about this—specifically, the relationship between his actions and what you uniquely call hyperinflation?

We have a series of questions from both the House and Senate on the question of financial derivatives, how they work, the difference between a financial derivative and hedge funds, etc. None of them were particularly interesting or unique. What I did was to excerpt your statements from the dinner afterwards on the topic, and send it to the various questioners. If you want to handle it differently, let me know.

LaRouche: The leading source of the lack of comprehension of the fact that we are already trapped in a "boundary layer" from which the present international monetary-financial system will never emerge alive, is chiefly the way in which the ideological shift from a producer, to a services,

economy has tended to uproot the last vestiges of what the generation born before 1940-45 knew as the primary function of the physical realities of a national economy.

In earlier generations, while useful production still commanded the economy's heights, the physical outcome of investment in production and infrastructure, as measurable per capita and per square kilometer, was the reality against which the value of monetary-financial assets was judged. The changes, since Brzezinski's late 1970s, in laws against spread of gambling and against usury, and the role of Federal and related regulation, have removed the essential constraints we employed to judge how well the organization of the flow of money was serving the long-term physical interests of the nation in per-capita and per-square kilometer terms.

In those former terms, sane members of society would have immediately recognized a "post-industrial economy" as an economic depression. This fact is brought more readily to light when my associates and I use county-by-county data, to show the individual and combined physical effects of changes within the U.S. economy during the recent 35 or more years. Today, facts such as those are usually brushed to one side, by a flippant, knowing gesture of protest against such evidence: "Ah, but how is the financial market doing?"

Look at what I have frequently described as the more extreme form of mass-insanity associated with the nearly two decades' reign of Alan Greenspan at the Fed.

We actually had a 1929-style stock-market crash in October 1987. I had forecast it repeatedly; it came exactly and also faithfully on schedule as I had forecast. It was the logical, scientifically lawful outcome of trends downward set into motion during the Nixon and Carter Administrations.

In stepped Alan Greenspan: "Hold everything, I will deal with this," he said, in effect. The effect was the use of gambler's side-bets, fancily named "financial derivatives," and later notorious in current forms as "hedge funds." The counting of these wildly fictitious transactions as a functional part of the financial-monetary system unleashed what would become ultimately a hyperinflationary bubble resembling that of 1923 Weimar Germany; the principal differences were that Germany was a boxed-in economy, whereas ours is a world economy which can print funny money by optical cable, at optical cable speeds. We must compare the ratio of various forms of financial derivatives in various regulated and informal markets to estimated total world net product.

Now, as then, the intrinsic hyperinflationary impulse of the proceeding was held in check for a time, for as long as the bankers and governments could contain the market within which this was unfolding. When, in late spring 1923, the containment mechanisms broke down, the hyperinflationary spiral exploded. The same must be said of the history of the Greenspan financial-derivatives bubble to date. During this past spring, the evidence was that, given the plunging course of the economy under the Bush Administration, the containment mechanisms had broken down under this added stress.

Now, dubious accumulations dating from the period of the 1997-98 crises are in the process of exploding, that at an accelerating rate. More input will be virtually gasoline poured in the attempt to extinguish the flames.

This does not permit us to make a general prediction of the exact date. However, in any case, it used to be said that bears or bulls can profit on markets, but pigs are slaughtered. The pigs are already slaughtering one another, as the zooming speculation in primary commodities attests. The intersection of that hedge-fund fuse with the real-estate-bubble bomb, threatens to blow out the entire banking system of Europe and the Americas soon. While we can not predict the precise date, we should recognize that we have entered a boundary layer which is roughly comparable to a sub-sonic racket. If we do not modify our attitude, under these conditions, the system would disintegrate.

The solution exists as an option. Have we the wit and courage to take it up in a timely fashion?

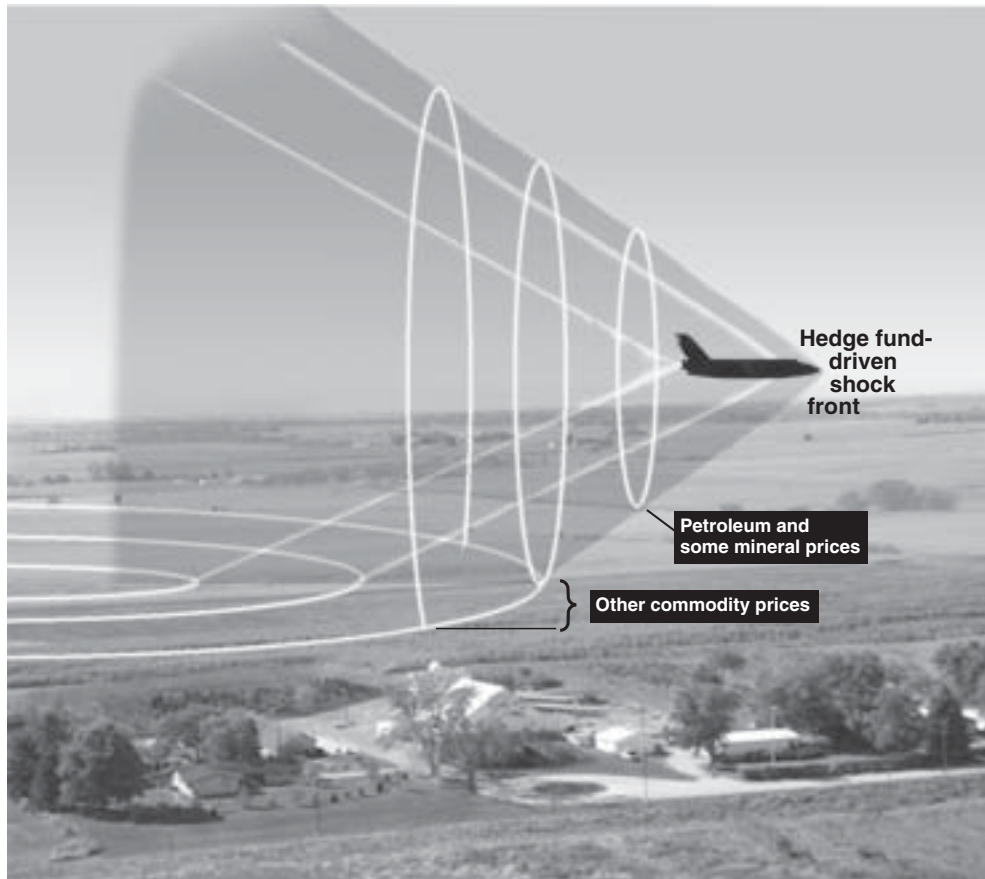
The Synarchist Felix Rohatyn

From a senior economist at a prominent Washington think-tank: Mr. LaRouche, a couple of weeks ago, Felix Rohatyn gave a talk here, and I overheard a fascinating exchange between Mr. Rohatyn, who as you know frequently advocates a new Bretton Woods, and one of your senior people. It became instantly clear that you and Rohatyn are *not* talking about the same thing when each of you calls for a new Bretton Woods. I didn't want to insert myself in an ongoing conversation that morning, but I think it would be extremely helpful if you would define the difference between your view and Rohatyn's.

LaRouche: I launched the international campaign of support for a new Bretton Woods system in the form it radiated widely internationally from my work with the Italian Parliament, which adopted my proposal in a series of actions to that effect. This action, as publicly associated with me, served as the occasion for Mr. Rohatyn's larcenous attempt to pre-empt the field. He stole nothing but the name written on his empty bag. There is, in fact, no coherence between, on the one side, the original FDR policy and my own explicit echo of that, and, on the opposing side, the proposal uttered under the same name by Mr. Rohatyn. The difference between the two is a difference between two universes.

Mr. Rohatyn's frankly stated intention, and matching actions, is to eliminate the power of any government, including our own, to resist the higher authority of private financier interests. He is for a reorganization of a present international monetary-financial system which he knows is already hopelessly bankrupt; but he insists that, under the needed reorganization, it will be the financier houses, not the government, which determines who shall live and who shall die. On this account, his view of me, therefore, is clearly his estimate of me as an extremely credible adversary, toward whom he has, therefore, feelings of the deepest, perhaps even murderous,

LaRouche-Riemann Conical Shock Wave Model of Hyperinflation



The present hedge-fund driven hyperinflation is comparable to a sonic boom moving across the landscape. At the tip of the cone, where the shock front forms, is the speculative bubble in hedge funds and related derivatives, orders of magnitude larger in monetary value than the physical economy. The commodity price inflation, led by petroleum and certain minerals, is dragged along in the opening conical tail. Prices of other commodities and consumer goods lag behind in time and are diffused as they spread out in the conical opening. Visible or empirically determinable measures (in this case prices) are actually being determined in the non-visible, complex domain. A Riemann-type shock front forms at the cone-shaped boundary layer where the rate of increase of out-of-control speculation confronts the declining rate of real physical economic growth.

personal hatred.

The pedigree of Mr. Rohatyn's views on this matter is that he shares in common with that France-based Synarchist International which created the fascist regimes of Mussolini, Hitler, Franco, and, among others, Laval and Vichy governments of occupied France. Certain among the leading banks which were formally leading elements, such as Banque Worms, of the Synarchist International of the post-Versailles Treaty decades, exist still today, and maintain policies toward matters of finance and government which are faithful echoes of the policies of the original Synarchist International. Mr. Rohatyn shares their outlook.

There is a presently ongoing quarrel respecting the way the U.S.A. and others should deal with the fact that the present financial-monetary system of the U.S.A. (as of other nations) is hopelessly, irretrievably bankrupt. The placing of the existing banking system and related institutions under Federal bankruptcy protection, through putting the Federal Reserve System itself under such protection and management, is implicitly on the immediate order of the day. It will either happen very soon, or insoluble chaos were inevitable, instead. The question is, shall the lawful government conduct this reorga-

nization in bankruptcy, or will a consortium of persons such as Felix Rohatyn and his like assume imperial and, frankly, mass-murderous powers over the state?

A second question from the same source: You probably know by now that Greenspan spoke here in D.C. at the same time you did. I was a bit taken aback when I read the text of his speech. It came very close to being structured as a point-by-point refutation of your own economic outlook and I'm not the only one who picked it up. Do you want to comment?

LaRouche: The poor fellow had the opportunity to meet with me during the proceedings of the recent President's annual press reception. He shook my hand, as if automatically, shuddered; he announced: "I need a drink," relinquished my hand, and was seen for some time thereafter occupied at the bar. Apparently, from the reported points of his address, I had made him extremely upset by my publicized criticisms of his presently failed policies.

If any plausible parties wish to arrange a public debate, I would be willing to oblige. If he does think himself capable of withstanding the experience of shaking my hand, I promise to treat his desire compassionately.

Veterans Administration and the Nation: The Policy Fight Over VA Benefits

by Pamela Lowry

The current right of American veterans to quality health care is being whipsawed between the Base Realignment and Closure (BRAC) Commission recommendations for closing military health facilities, and the Capital Asset Realignment for Enhanced Services (CARES) recommendations for shutting down veterans' hospitals and clinics. And this comes at a time when the collapse of health care in general, and its escalating costs, are forcing many veterans to leave private sector health providers, and enter the military or veterans systems.

This also happened during the Great Depression. In November and December of 1930, records show that there were far more veterans in veterans' hospitals and soldiers' homes than at any time since the end of World War I. This was only 12 years after the Armistice, so the increase was not due to a majority of veterans entering old age. Instead, many had lost their jobs and homes, and the veterans' facilities were the only places they could go for help.

The health infrastructure of a nation requires a commitment to long-term planning and building. This is especially true for health benefits to veterans. Even if America's two current wars in Afghanistan and Iraq were to end tomorrow, the commitment to the veterans of those wars and their families could easily extend into the 22nd Century. Consider this: The last dependent of a Revolutionary War veteran died in 1911. The last two veterans of the American Civil War died in 1956 on the Union side, and 1958 on the Confederate side. Five children of Civil War veterans still draw VA benefits, and approximately 440 children and widows of Spanish-American War veterans are receiving VA compensation or pensions.

This kind of long-term commitment is viewed with horror by those who, like the major speculative international investment banks, see only a burden and a threat to their usurious profits. To those who believe in the principle of the general welfare, however, such a commitment is an opportunity to advance the well-being of the nation. There is no better illustration of this contrast in policies than the struggle between the factions represented by Herbert Hoover and Franklin Roosevelt during the decades encompassing the Great Depression and World War II. This was not a

simple Republican-Democrat disagreement. On the one side were ranged those, fronted by their ideological dupes such as Hoover, who believed that man was a beast, or at least should see himself as such so that he could be more easily fleeced and controlled. On the other side stood those who recognized the precious nature of man's creativity and wanted to foster it. The man-is-a-disposable-beast faction's tactics and strategy changed little over the two decades, but the Roosevelt program underwent a course of development which provided the means for the veterans of World War II to increase the well-being of the nation as a whole.

The Founding of the Veterans Administration

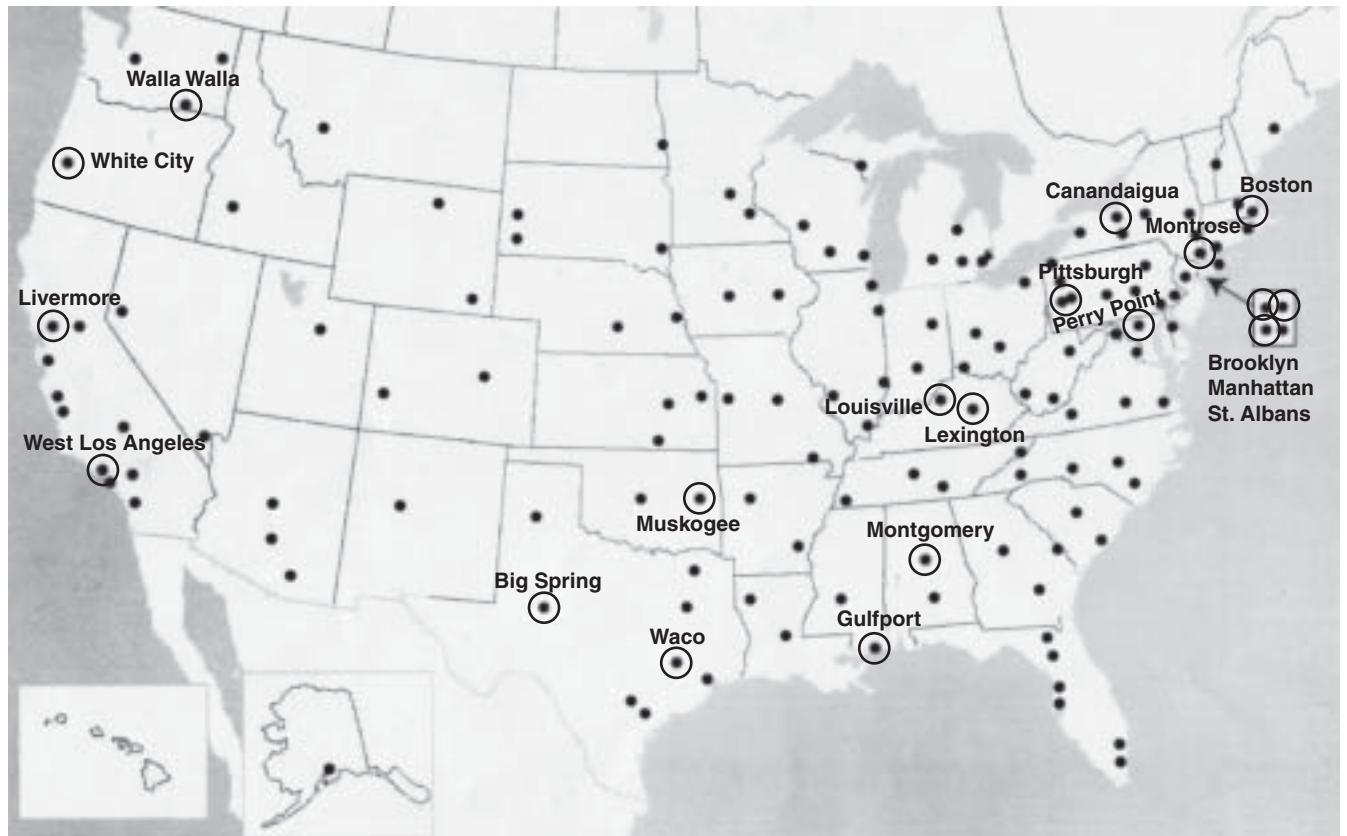
The Veterans Administration was created in 1930 when Congress authorized President Hoover to "consolidate and coordinate Government activities affecting war veterans." The three consolidated agencies were the Veterans Bureau, the Bureau of Pensions of the Interior Department, and the National Home for Disabled Volunteer Soldiers, which had been authorized by President Abraham Lincoln in 1865.

The new Veterans Administration had a large task ahead of it. Veteran care and benefits after World War I had been highly criticized by the veterans themselves. Postwar readjustment had been difficult, because many valid benefit claims had been disallowed. A Federal Bureau for Vocational Rehabilitation, founded shortly after the end of the war, set up such stringent conditions for entering training programs, and caused such long delays for prospective trainees, that the Bureau had to admit in the 1920s that it had retrained only 217 men in the entire nation.

In 1921, following the recommendations of two committees appointed by the Harding Administration, the Veterans Bureau had been established. Its director, Charles Forbes, had to resign amidst scandals of inaction and misappropriating funds. Its new director, Gen. Frank Hines, was more successful, and new hospitals for veterans began to come on line. In 1924, over President Coolidge's veto, Congress passed a bonus bill for the veterans of World War I, which provided that they would receive a lump sum payment in 1945. Since the Social Security System did not exist, the sponsors of the bill felt that a large proportion of the veterans

FIGURE 1

Veterans Affairs Medical Centers, 2004: Eighteen Are Targetted for Shut-Down or Downsizing



Source: Department of Veterans Affairs, CARES Decision, May 2004, Office of the Secretary; www.va.gov.

would be past their prime in 1945 and would need some kind of assistance.

The Veterans’ Bonus Army

As the Great Depression deepened, President Hoover’s refusal to provide an adequate program of Federal relief finally drove a group of veterans to desperation, and in the Spring of 1932 they rode freight cars to Washington, D.C. to demand the early payment of their bonus. Both President Hoover and New York Gov. Franklin Roosevelt opposed the early payment of the bonus, but on different grounds and with very different results.

Congress had passed a compromise bill, which allowed veterans to take out loans based on 50% of the face value of the bonus certificates. But President Hoover vetoed the measure, saying that local communities, not the Federal government, had the responsibility for taking care of needy citizens. His veto message, delivered in the middle of the Depression, stated, “Inquiry indicates . . . that the number of veterans

in need of such relief is a minor percentage of the whole.” Congress overrode his veto in 43 minutes.

The opposition to the bonus among the forces backing Hoover reached the point of hysteria. Treasury Secretary Andrew Mellon, the real economic policy force behind Hoover, unrelentingly opposed the bonus or any other benefit that would cost money. Pierre S. du Pont claimed that the veterans needed no bonus because they were already “the most favored class in the United States,” conveniently forgetting about his own. *The Wall Street Journal* editorialized that bonus advocates were “panhandlers” who were trying to get an “unearned and undefensible dole.”

The Board of Governors of the Investment Bankers of America warned their clients that the bonus might cause the “disorganization” of the money market, a depression in the value of stocks, and the retardation of business prosperity. The chairman of the board of National City Bank of New York predicted that the bonus would mean “hundreds and hundreds of bank failures, small bank failures, throughout

the United States.” As events in early 1933 proved, the banks did not need the payment of the bonus bill in order to fail.

By June of 1932, some 20,000 veterans, some with their wives and children, were camped in a “Hooverville” on Anacostia Flats, within sight of the Capitol. President Hoover retreated into paranoia, refusing to meet with a delegation of veterans. When they dared to picket the White House, Hoover had chains put across the White House gates, brought in extra security guards, and closed the nearby streets to traffic.

The House of Representatives passed a bill authorizing immediate payment of the bonuses, but Hoover lobbied hard against it, and it failed in the Senate. Some veterans returned home, but a substantial group stayed on in Washington, hoping to obtain some kind of help. The Veterans Administration set up a temporary hospital at the War Department Reservation in Fort Hunt, Virginia near Washington, in order to provide health services to the Bonus Marchers.

But Hoover was losing patience with the veterans, and ordered Gen. Douglas MacArthur to clear them out of several empty government buildings where they had been allowed to camp by the sympathetic head of the District of Columbia police, Brig. Gen. Pelham Glassford. MacArthur deployed cavalry with drawn sabers and infantry with fixed bayonets up Pennsylvania Avenue. Their equipment included tanks, water cannon, and tear gas canisters. Not only were the veterans and their families driven back to Anacostia Flats, but that encampment itself was broken up and swept with flames. Veterans were injured, and a baby, a victim of tear gas, died that night in a hospital. When newsreels of the action were shown in American theaters, the crowds hissed and booed. The fleeing veterans took shelter on the roads of Maryland, and later accepted an invitation from the Mayor of Johnstown, Pennsylvania, to camp on the outskirts of his city.

President Hoover declared that “a challenge to the authority of the United States government has been met.” Hoover’s advisors stated that there were large numbers of Communists and criminal elements within the veterans who were making “revolutionary plans.” In fact, the advisors questioned how many of the bonus marchers had actually been veterans. Finally, the Justice Department issued a report which dutifully said that Communists and criminals had been the masterminds behind the veterans’ demonstrations. With that matter supposedly settled, Hoover was defeated in the November election, and Franklin Delano Roosevelt became President of the United States.

Roosevelt’s Response

While President Roosevelt and the Congress were still in the middle of the “Hundred Days” of emergency legislation to save the nation, a contingent of bonus marchers returned to Washington. FDR had the marchers put up in an underused Army fort, where they were given food and medical

care. He offered them all jobs in the newly formed Civilian Conservation Corps, and 90% of the men accepted. The veterans voted to disperse, and those who wanted to return home were given free railroad passage.

Roosevelt had offered the veterans what he felt was needed the most by Americans—jobs. In 1937, officials of the VA echoed Roosevelt’s perspective by stating that “employment opportunities” was the most important veterans relief problem. The President planned to raise the standard of living of the veterans in the same way as he was raising the living standard for everyone; by providing jobs and simultaneously improving the nation’s infrastructure by means of those jobs. But, as he stated at the dedication of a Veterans Hospital in Roanoke, Virginia on Oct. 19, 1934, he was also obligated to assuage the suffering of a large group of American citizens who were in danger of starvation and had been deprived of even the basics of modern life.

He first told his audience: “You see before you today a monument which is a very definite representation of the national policy of your Government, that its disabled and sick veterans shall be accorded the best treatment which medical and surgical science can possibly supply.

“In a larger sense these buildings are a symbol of the broader policy, the policy that the Government is seeking to give aid not only to the veterans of its wars, but also to hundreds of thousands of other citizens—men, women, and children who are handicapped by environment or by circumstance, and are lacking today in what reasonable people call the essentials of modern civilization.

“For a great many years we have seen a constantly growing realization of the fact that any large or small group in any community which lacks the elementary necessities of proper food, of decent housing, of adequate medical attention, of essential education, drags down the level of the whole country, and of necessity retards the progress of the whole country. It is the same thought, to put it into naval terms, as to say that the speed of a fleet is the speed of the slowest vessel in the fleet. Or, to put it in military terms, the speed of an army is the speed of the slowest unit comprising that army. . . .

“Let it be well remembered that the hundreds of thousands of men and women and children to whom I have referred, scattered throughout our Nation, have no splendid hospitals for their care, have no medical attention, such as will be provided in this veterans’ home, have no opportunities for adequate education, and can but suffer the ills of their lives according to their own individual circumstances.”

President Roosevelt stated that he knew America’s veterans recognized the nation’s obligation to the poor and destitute, and that the amelioration of their lot was important not only because of the current suffering in the nation, but “because future generations of American citizens will be the descendants of those who are now in need.” True prosperity



EIRNS/Stuart Lewis

Building on the framework set up by Franklin Roosevelt, the VA's health care administration was set up, charged with providing the necessary facilities, since the VA's existing hospitals were swamped with returning veterans. The Army Corps of Engineers was brought in to construct 44 new hospitals. Veterans' hospitals were affiliated with medical schools, improving the level of care.

would only come when these people were raised to a higher standard of living. It was on this basis that Roosevelt objected to the bonus bill, because disabled veterans were already being taken care of medically, or they were receiving pensions. Able veterans could take advantage of the New Deal's various job programs, and thus the bonus funds should be used to help the most destitute American citizens, and in the process prevent the recurrence of a depression.

Roosevelt's economic policies were not completely formed at this stage, and he was experimenting with many things at once. One misinformed policy was "Economy in Government," in which Roosevelt stated that the budget for many government functions should be cut in order to afford the massive programs to defeat the depression. Veterans benefits were included in this economy drive, and all the previous bills containing veteran benefits from previous wars were rescinded, and then a new bill was passed which cut benefits. However, the President directed the Administrator

of Veterans Affairs to "conduct a careful study of the effects of these new regulations so that if any injustices or inequalities were found, or if the reductions appeared in some particulars to be too severe, prompt remedial recommendations were to be made to me." The study did indeed show that the cuts were too severe, and twice during 1933 and again in 1934, Roosevelt issued Executive Orders that restored money to the veterans.

As economic conditions improved, the Veterans Administration was able to greatly expand its services. By 1941, the number of VA hospitals increased from 64 to 91, and bed capacity rose from 33,669 to 61,849. Special training programs for physicians and nurses were expanded, and medical research was supported by Dr. Charles Griffith, the medical director. As the nation geared up for fighting World War II, the VA was designated as a "defense agency."

The GI Bill of Rights

The massive mobilization during World War II led many to fear that post-war demobilization would lead to conditions that would cause another depression. Roosevelt knew that depressions could lead to wars, and he stated in a Nov. 2, 1944 speech, "The record that we have established in this war is one of which every American has a right to be proud—today and for all time. We do not want the later record to say that the great job was done in vain. We do not want our boys to come back to an America which is headed for another war in another generation. Our postwar job will be to work, to build—for a better America than we have ever known. If in the next few years we can start that job right, then you and I can know that we have kept faith with our boys—we have helped them to win a total victory."

Roosevelt began to plan early in the war to make sure that the new veterans would not suffer the difficulties faced by the World War I veterans. In fact, the returning veterans would constitute such a large proportion of the American population, that government sponsorship of their well-being would have a salutary effect on the entire population. The President began to lay the basis for postwar policies in November 1942, when he appointed a committee of educators to study the problem of education and training of veterans of the armed forces.

In November 1943, Roosevelt prepared the way for Congress to pass broad legislation to aid the returning veterans. He stated: "All of us are concentrating now on the one primary objective of winning this war. But even as we devote our energy and resources to that purpose, we cannot neglect to plan for things to come after victory is won. . . . Members of the armed forces have been compelled to make greater economic sacrifice and every other kind of sacrifice than the rest of us, and are entitled to definite action to help take care of their special problems. . . . What our service men and women want, more than anything else, is the assurance of satisfactory employment upon their return to civil life. The first task after

the war is to provide employment for them and for our demobilized war workers.”

Planning for other phases of veterans benefits continued until June of 1944, when Roosevelt signed the precedent-setting and comprehensive GI Bill of Rights, providing most of the veterans benefits that we are familiar with today. In his speech on June 22, Roosevelt specified that the bill “gives servicemen and women the opportunity of resuming their education or technical training after discharge, or of taking a refresher or retrainer course, not only without tuition charge up to \$500 per school year, but with the right to receive a monthly living allowance while pursuing their studies. It makes provision for the guarantee by the Federal Government not to exceed 50% of certain loans made to veterans for the purchase or construction of homes, farms, and business properties.

“It provides for reasonable unemployment allowances payable each week up to a maximum period of one year, to those veterans who are unable to find a job. It establishes improved machinery for effective job counseling for veterans and for finding jobs for returning soldiers and sailors. It authorizes the construction of all necessary additional hospital facilities. It strengthens the authority of the Veterans Administration to enable it to discharge its existing and added responsibilities with promptness and efficiency.”

Roosevelt added that “with the signing of this bill a well-rounded program of special veterans’ benefits is nearly completed. It gives emphatic notice to the men and women in our armed forces that the American people do not intend to let them down.” But the opposing forces within America that had been forced to bite their tongues while victory in the war was uncertain, were now poised to once again jump into the fray.

The Nay-Sayers Return

Robert Hutchins, president of the University of Chicago, stated that he feared that “colleges and universities will find themselves converted into educational hobo jungles. And veterans unable to get work and equally unable to resist putting pressure on the colleges and universities, will find themselves educational hoboes.” Prof. Willard Waller of Barnard College warned that “the veteran who comes home is a social problem, and certainly the major social problem of the next few years. . . . Unless and until he can be renaturalized into his native land, the veteran is a threat to society.”

Not to be outdone by the academics, *The New York Times* ran a headline which said, “Post-War Jobless Seen Invading City.” And some business leaders were not far behind. Paul Hoffman, chairman of the Committee of Economic Development, was quoted by the National Association of Manufacturers as saying, “I don’t believe it is even socially desirable to have jobs for every man or woman who may want a job.” A *Wall Street Journal* story characterized

full employment efforts as a “halfway house to socialism.”

Former President Hoover did not let his disastrous record in letting the depression take its course, let alone his vicious treatment of the bonus marchers, deter him in any way from offering his opinions on post-war policy on unemployed veterans. He opined that “organized labor and employers alike have a mutual interest in keeping the government out of business and preventing it from dictating to business.” If America were revisited by a depression, the government should have little or no role in taking care of the unemployed. “Our business associations through their national committees are making a great contribution in organization to take care of this marginal group.” Government, he said, could not find jobs for many people after the war “unless it is going to transform industry into a full socialized state.”

But the gloomy prospects did not materialize, thanks to many of the safeguards which Roosevelt had put into place before his death. The income of the average worker had doubled since 1939, and the Gross National Product had increased from \$90 billion in 1939 to \$213 billion. The wealthiest 5% of Americans had controlled 23.7% of the wealth in 1939, but at the war’s end that percentage had been reduced to 16.8%. Despite rapid demobilization of not only the soldiers, but the civilians engaged in the war production industries, the economy held firm, and although there were downturns, there was no serious depression. A large part of this success was also due to the Bretton Woods international system of finance and credits which had been put into place by President Roosevelt.

And what happened to the “educational hoboes” who were such a threat to society? By February 1948, some 2,655,000 veterans were receiving subsistence allowances under education and training programs. A total of 1,828,000 were in school, including 1,128,000 in colleges, and 596,000 in on-the-job training as apprentices in business and industrial firms under contract to the Veterans Administration.

By early 1949, veterans had made 1,570,000 home, business, and farm loans. These were insured by the Veterans Administration for around \$4 billion.

At the same time, the VA reported that approximately 8,500,000 veterans had received payments of unemployment insurance or readjustment allowances, and that these totaled \$3,515,000,000.

The VA’s existing hospitals were swamped with returning veteran patients at the end of the war, and so in 1946 a law was passed creating the VA’s health-care administration, which was charged with providing the needed facilities. Gen. Omar Bradley was put in charge of the VA, with an Acting Surgeon General for veterans healthcare, Gen. Paul Ramsey Hawley, reporting directly to him. Despite new VA construction projects, the veterans’ needs were so great that the Army Corps of Engineers was brought in, which ultimately constructed 44 new hospitals.

Hawley insisted that veterans should receive health-care “second to none.” The move in 1946 to affiliate veterans hospitals with medical schools changed not only the level of care, but also changed where VA medical centers were located. Previously, many had been built in scenic but isolated spots. Hawley said, “To hell with the scenery; I want the finest doctors!”

From 1942 to 1950, the number of VA hospitals grew from 97 to 151; then during the 1950s construction slowed and growth became more gradual. Improvements in the system then focused more on improved patient care and medical research. The VA was reorganized into three departments—Medicine and Surgery, Insurance, and Benefits.

The period of the Vietnam War coincided, not accidentally, with the series of Nixon Administration moves which

took apart the Bretton Woods monetary system and plunged the nation into an orgy of deindustrialization and deliberate underfunding of vital national infrastructure. The enemies of President Roosevelt’s policies were on the ascendancy, and they were determined to wipe his economic and social programs from the face of the earth. Supposedly, America was moving into a “service economy,” but this was a grim misnomer, especially in the field of health care, where services were cut with a vengeance. The advent of cost-cutting HMOs and the campaign for living wills and “death with dignity” were merely ways of enforcing the old feudalist view of man as a disposable animal, who shouldn’t take up too much money or space.

This new national policy affected the private health-care sector as well as the public one. Despite the fact that the

Close VA Hospitals As Flu Pandemic Threatens?

The Bush/Cheney Administration is still pushing ahead the VA CARES process (Capital Asset Realignment for Enhanced Services) which threatens to close and/or downsize VA hospitals throughout the country—even as the Administration acknowledged the looming threat of an avian flu pandemic which could sicken 50-100 million people if it strikes the United States.

As Hurricanes Katrina and Rita hit, revealing the nation’s desperate shortage of hospital beds and other medical services, Pricewaterhousecooper—the accounting firm commissioned by the VA administration to carry out CARES—continued to present plans with the potential to eliminate hospitals serving tens of thousands of veterans. They did this at September-October meetings of 19 Local Advisory Panels set up under the CARES process. As the lessons of Katrina began to be absorbed by some Congressman, Lane Evans, ranking Democrat on the House Committee on Veterans Affairs, pointed to the exemplary functioning of the VA facilities in the hurricane zone, noting that not one life committed to VA medical care was lost during Hurricane Katrina. Other advocates pointed out that the VA was the only healthcare organization that managed to save *all* patient records during the hurricanes; its computerized system was backed up on a regional level and put back online in a matter of hours.

The ability of the VA system to function adequately under emergency conditions still existed, because of a virtual emergency mobilization in July by Democratic and

some Republican members of Congress, to appropriate billions of dollars of emergency funds over the obstruction and objections of the Administration, and of its Veterans Affairs Department flunkey, Secretary Jim Nicholson. Prior to those appropriations, a number of VA hospitals had been forced to refuse to accept eligible patients flocking to their doors, as other medical facilities shut down or are priced out of reach. VA hospitals were using monies from their maintenance budgets for emergency purposes to keep the most essential functions going.

But the Administration held CARES hearings around the country throughout September, to advance the option of shutting down major VA facilities. All told, 18 VA Hospitals are on the list for shut-down or cutbacks (see map, p. 46). The CARES process includes the proposal to close the Manhattan VA Hospital, one of the premier medical institutions in the country, and shunt its services and patients to the VA facility in Brooklyn, N.Y. On Sept 19, following the Katrina and Rita disasters and with the Avian Flu threat front-page news, it was still necessary for a bipartisan coalition of New York’s Congressional delegation, and every major city elected official, to testify to maintain the facility, at a local advisory panel hearing. In California, the threat to begin commercial utilization of property which is part of the West Los Angeles VA facility, was opposed by a similar coalition at Sept. 15 hearings.

In Texas, the 17 possible options proposed by Pricewaterhousecoopers at Oct. 4 hearings for the Veterans Hospital in Waco, continued to include the possibility of elimination of in-patient care and gutting of other medical services. Congressman Chet Edwards strongly challenged the VA data on which the recommendations were based, pointing out that the VA has underestimated patient levels nationwide by more than 200,000 veterans in 2005 alone.

VA was elevated to cabinet-level status as the Department of Veterans Affairs by President Reagan in 1989, the appropriations necessary to sustain its infrastructure continued to be cut again and again.

As another round of cuts in the VA's health capabilities are about to be endorsed, it is well to remember that the VA constitutes a very vital national resource. Through its programs to veterans and their families, it can affect fully one-quarter of this nation's population. Every year, about 83,000 health professionals are trained in VA medical centers, and at this point, more than one-half of the physicians practicing in the United States have had some of their professional training within the VA system. Those factors, as Roosevelt saw clearly, provide a great opportunity for those who would promote the general welfare in a time, such as our

own, of deepening depression.

The VA medical system also serves as a back-up to the Defense Department during national emergencies, and as a federal support organization during major disasters. With this nation's very low surge capacity in its health-care centers and among its health-care professionals, the lessons of the current hurricane disasters and the looming avian flu pandemic should compel us to think very carefully before we eliminate even one more health facility.

Not only must we honor our pledge of care for the veterans of our wars; we must honor the cause for which they fought. As President Roosevelt said in 1933, "It is a fact that much of the future history of our beloved Country will be a history which you will help to make in the years to come."

Flu Pandemic Hospital Needs Ignored

At an Oct. 12 meeting held at the U.S. Senate Hart Building to assess the pandemic threat, lead speaker Dr. Tara O'Toole, of the University of Pittsburgh Center for Biosecurity, termed a pandemic outbreak of Avian Flu "a nation-busting event." She reported that hospitals are not ready, antivirals are in short supply, and a vaccine is a year away. The mortality rate for this infection (the H5N1 virus) has been 40-70%. O'Toole urged that vaccine production must be mobilized, hospitals must plan and prepare, and the Federal government take leadership.

The CARES process is not the only front on which the nation's critical medical capacity is under assault, rather than leadership. Republican Congressional leaders close to Bush and Cheney opened up a new flank in early October when the Senate Committee on Veterans Affairs approved S.1182, which includes a provision for spending money from VA's healthcare budget to study outsourcing the jobs of VA healthcare workers. The study could pay private consultants over \$140 million in VA healthcare funds, and lead to the loss of up to 36,000 jobs.

Also assessing the nation's capability to respond to a medical emergency, the American College of Emergency Physicians held a press conference in September when thousands of their members lobbied on Capitol Hill. Representatives noted the urgent need to acknowledge that hospital emergency rooms are the nation's first line of defense in any medical emergency. But they documented that the current emergency room infrastructure is massively inadequate even under "normal" conditions. The physicians' report shows that more than 2,000 emergency departments have closed their doors since 1992, while from 1992-2003, Americans dramatically increased their dependence on the emergency care system. In 2003, they made 114 million visits to hospital emergency departments, up from

89.8 million in 1992. This influx, again the result of families' declining ability to afford other medical facilities; and its effects—long waiting times with patients warehoused in hallways—create conditions under which Avian Flu would spread like wildfire from hospitals themselves.

Other Public Hospitals Disappearing

Also indicative of the widespread collapse of the healthcare system was a new report released in August by the State University of New York Downstate Medical Center, which showed massive closing of public hospitals in the 100 largest cities and suburbs throughout the country. The report warned this action has disproportionately hit the lower 80% of family income brackets. "Public hospitals may become an endangered species," warned Dennis Andrulis, Ph.D., lead study author. "Not only are public hospitals disappearing from inner cities across the country; they are disappearing from the suburbs as well."

Among the study's key findings:

- From 1996-2002, 27% of all public hospitals were closed in major suburbs, and 16% in major cities.
- Urban public hospitals provided less inpatient and emergency care in 2002 than in 1996.
- High-poverty suburbs represented 44% of the total suburban population, but accounted for only 20% of total hospital admissions, inpatient days, and outpatient and emergency visits in 2002. These suburbs exist disproportionately in California, Texas, and other areas in the south.

In a sane world where leaders respond to real threats to the general welfare, not ideological commitments to free-market fantasies, the CARES process would be shut down, and the health experts and public officials involved could turn to the urgent matter of reopening, building, and staffing hospitals and other public health infrastructure we now urgently need.—*Patricia Salisbury*

Derivatives Trader Refco Files for Bankruptcy

by Lothar Komp

Another earthquake is hitting the worldwide casino of financial derivatives. This time it is not just a single hedge fund, which has lost the money of its customers in high-risk financial speculation. Rather, a financial institution has collapsed that represented the intersection point for access to the futures exchanges in New York, Chicago, London, and Singapore for thousands of clients, among them innumerable hedge funds. Refco, Inc., the largest independent futures brokerage firm in the United States, had to declare bankruptcy on Oct. 17, after it was revealed that the company had doctored its balance sheets for several years, to hide the fact that its speculative losses were uncovered. The losses derived from 1998, the year when the global financial system was right on the edge of collapse, after the Asian crisis, the collapse of the Russian GKO pyramid, and the collapse of the hedge fund LTCM.

The Refco case makes clear that the hedge funds serve the financial establishment as more than a tool for risky financial transactions that they don't want to be known by the regulatory authorities. A further important function of these unregulated funds, which German Federal Financial Supervisory Authority chief Jochen Sanio calls the "black holes" of the financial system, is accounting fraud. And that was exactly the reason Refco CEO Philip Bennett entered into a special working relationship with the hedge fund Liberty Corner Capital of New Jersey. At regular time intervals, the \$430 million deficit was transferred back and forth between Liberty Corner Capital and a Refco unit fully controlled by Bennett. Thanks to this scheme, Refco never had to report the loss.

On Oct. 10, the swindle exploded. Bennett was fired, ar-

rested a day later on suspicion of securities fraud, and set free on a \$50 million bond. Immediately, Refco's stock collapsed by 72%, and was suspended from trading on Oct. 14. The price of Refco bonds has fallen to a fraction of their face value. The rating agency Standard & Poors has downgraded Refco three times in four days, and declared that a default is very probable. Finally, there was a declaration of bankruptcy.

While the U.S. Securities and Exchange Commission (SEC) has started an investigation into the case, there is already hectic activity behind the scenes by the Federal Reserve, trying to prevent Refco from pulling the entire derivatives market into the abyss. Wall Street bankers were called upon to hand over information on their financial relations with Refco. A particular concern is the maintenance of all the outstanding derivatives contracts running through Refco, including the service of all eventual margin calls. This is quite a difficult undertaking, especially when numerous Refco clients, in a panic, pulled out their investments as soon as the difficulties became known. The SEC Chairman Christopher Cox would not directly answer the question of whether Refco's collapse was concealing a "potential systemic risk," but he said: "There is always the possibility of broader effects from individual cases. That is why the SEC maintains a special unit for the purpose of looking over the horizon and around the corners, to discover whether or not such risks are materializing." Michael Greenberger, the former director of the Commodity Futures Trading Commission, identified Refco as a "systemic problem" because of the threat of a "cascade of bankruptcies."

A City of London insider commented that the obvious

“degree of criminality” surfacing at Refco, and the scale of collusion of leading international banks and derivatives traders, are reminiscent of the junk bond pioneer Drexell Burnham Lambert, which collapsed in the 1980s. Others have compared Refco with Enron. The London *Guardian* on Oct. 16 referred back to the LTCM debacle of the Autumn of 1998, and warned that Refco “could be a catalyst for another collapse.” On the same day the *New York Times* called the Refco case “scary,” and pointed out that Refco was operating on a 0.3% assets-to-equity ratio. In February of 2005, Refco had \$150 million in equity supporting \$49 billion worth of assets, and by May it had off-balance-sheet derivatives contracts totalling \$150 billion.

According to its bankruptcy filing, Refco’s liabilities amount to \$48 billion. In total there are more than 1,000 creditors. Among the 50 largest creditors can be found 11 hedge funds, which had invested in Refco bonds. To this group belong three funds of the Capital Group as well as several funds of Jim Rodger. Over the last years Refco was one of the most important players in commodities at the leading futures exchanges. At the end, about 10% of all contracts traded at the Chicago Board of Trade (CBOT) listed Refco as one of the counterparties.

Fears that the CBOT itself could get pulled into the mess, caused CBOT stocks to implode by 8% in a single day after Bennett’s arrest. Refco also handled a very large volume of futures contracts in stocks, bonds, and currencies. For example, Refco controlled 60% of the New York trade of Brazilian and Argentine bonds. Refco was active in 14 countries, employed 2,400 employees there, and had about 200,000 customers. In the manipulation of its balance sheets, the Bermuda-registered Refco Capital Markets, which dealt in OTC (over-the-counter) derivatives, played a decisive role.

Behind Refco stand a row of the leading major banks. Thus, in the last year, Bank of America, Credit Suisse, and Deutsche Bank granted Refco an \$800 million credit. The insurance giant American International Group (AIG), whose longtime chief Maurice Greenberg recently had to step down because of financial irregularities, had routinely serviced Refco with short-term credits. Credit Suisse First Boston (CSFB), Goldman Sachs, and Bank of America are now facing call-action suits as they gave their blessings to the initial public offering (IPO) of Refco on Aug. 11 this year. The buyers of such stock have lost almost their entire investment as a result of the Refco scandal.

Goldman Sachs played a special role with Refco. The U.S. investment bank, after already being part of the Refco IPO, was entrusted on Oct. 13 with the lead in managing the Refco crisis. The private equity group J.C. Flowers, which on Oct. 17 issued a declaration of intention to take over parts of Refco, also belongs to Goldman Sachs’s sphere of influence. The group belongs to Christopher Flowers, a Goldman Sachs protégé.

Austria’s Biggest Banking Scandal Since the War

On the day of his firing, and only hours before his arrest, Refco chief Philip Bennett suddenly paid Refco \$430 million, thereby attempting to settle the hidden deficit. He had just gotten the money for this operation as a loan from a quite unusual source: Bank für Arbeit und Wirtschaft AG (BAWAG), owned by the Austrian Trade Union Federation. This bank administers, among other things, the savings of the trade union members, and also carries out financial business for the Austrian government. On Oct. 10, BAWAG provided a loan of 350 million euros to Bennett personally, in addition to 75 million euros to Refco. The loan was secured with Bennett’s private stock holdings, a 35% portion of Refco, an extremely unusual transaction. However, this collateral in the very same week became almost totally worthless. Should the loans to Bennett and Refco not be paid back, BAWAG therefore will end up owning one third of a bankrupt financial house which is heavily involved in the worldwide derivatives trade. People are now speaking of possibly the worst banking disaster in Austria since the bankruptcy of the Vienna Kreditanstalt in 1931. How could the BAWAG leadership have agreed to such a crazy deal?

The answer lies in the ties over many years which bind several BAWAG managers with the global derivatives casino. Already back in 1994, BAWAG hit the headlines, when it became known that the son of the then head of BAWAG, Walter Floetl, had channelled about \$2 billion to a hedge fund located in the Caribbean, for derivatives speculation. When this came out in public, the contracts had to be dissolved, and Refco participated in that delicate action. BAWAG at that time was supported by Bayerische Landesbank from Germany, which bought up 46% of BAWAG’s shares. In May of 1999, BAWAG started another adventure: It bought into Refco with a 10% share, and was in this way again in the derivatives business. A year later BAWAG merged with the Austrian Postbank. In 2004, the trade union federation bought back the shares of BAWAG owned by the Bayerische Landesbank. In the same year BAWAG sold its Refco shares to a New York investment house. There have been cross connections between BAWAG and Refco for a decade.

A special role in this was played by a certain Thomas Hackl, a former leading derivatives trader at the Baden-Württemberg Bank in Stuttgart. In 1991, Hackl moved to BAWAG, only to become Vice-President of the Refco group in 2002. Already in 1999, BAWAG and Refco jointly established a private bank in Liechtenstein, the Bank Frick & Co., where Hackl sits on the supervisory board. Financial supervisors in Austria have now started an investigation into the entire affair. Meanwhile it turned out that turbulent scenes were taking place at BAWAG headquarters on Oct. 10. In the evening of the day when the news on the Refco scandal became known, BAWAG tried to cancel the whole

credit deal. But the money had already landed with Bennett.

The accounting manipulations at Refco; the role of the hedge fund Liberty Corner Capital in concealing the speculative losses at Refco; the extreme dependence of the leading global derivatives exchange, the Chicago Board of Trade, on a single enterprise like Refco; the blindness or complicity of the major bankers which participated in the Refco IPO; and finally, the “bank robbery” at BAWAG; are simply symptoms of the rotten state of the world financial system. For every such case popping up in public, there may be a hundred similar cases still waiting to be uncovered. In September, the managers of the Bayou Management hedge fund had to admit betraying their customers for years. In early October, the Man Group, the largest hedge fund group in the world, was caught helping another hedge fund, Philadelphia Alternative Asset Management, to fake its balance sheet. The latest case is Wood River Capital Management, now the target of another SEC investigation. The hedge fund had invested two-thirds of its entire capital—with a significant part being delivered by the U.S. investment bank Lehman Brothers—into the stocks of a single and relatively small technology firm, named “Endwave.” Unfortunately, the firm ran into trouble during the Summer, thereby losing 75% of its stock value.

Dozens of “new Refcos” are already in the pipeline.

America's Untold Story

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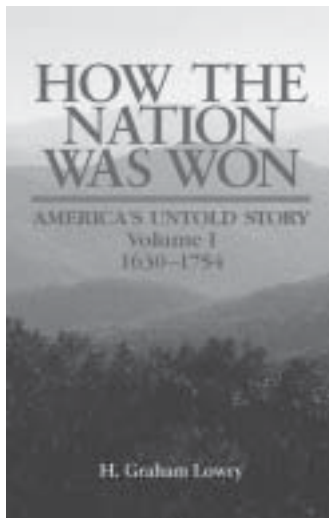
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Documentation

Jochen Sanio: Should Hedge Funds Be Regulated?

The following is the advance text of a speech given by Jochen Sanio, president of the German Federal Financial Supervisory Authority, at the “Top Ten Financial Risks to the Global Economy” Conference organized by the Global Markets Institute (Goldman Sachs), and held on Sept. 22, 2005 in New York City. It reflects an ongoing discussion within the banking community which seldom reaches the media in the United States.

It is indeed very interesting that you have asked me, of all people, to comment on whether hedge funds should be directly regulated or not. I have had a clear opinion on this issue since 1998, the year of the LTCM crisis, and I do not think that I will change it in the foreseeable future. I am, and I always will be, an advocate of direct regulation. If you call me a hardliner, I wouldn't be offended. My opinion has nothing to do with the recent highly emotional debate in Germany about “locusts,” as hedge funds have been called by certain politicians in my country. I am not an entomologist, I am a supervisor, and as a supervisor my interest is financial stability. And I am deeply concerned about the systemic risk posed by hedge funds. But let me emphasize at the start that today I am speaking purely in a personal capacity. Any views I offer you in this session are entirely my own.

In the relatively short time I am allotted today, I will explain some of my concerns. Hedge funds do handle huge amounts of money, and their highly leveraged business carries enormous risks. Those risks should be reflected in the capital that hedge funds hold. The idea that hedge funds have enough capital today, as an adequate cushion for crisis situations, appears entirely counter-intuitive. If a hedge fund cannot fulfil its obligations, large counterparties could be affected. This has already been pointed out in the LTCM report of the Basel Committee on Banking Supervision, which was published in the Year 2000. The counterparties that are most vulnerable to contagion are prime brokers. There seem to be signs that prime brokers have recently become more aggressive in soliciting hedge fund business which obviously is a growing source of income. It would be rather worrying if the trend towards an erosion of collateral continued. Therefore, it would be foolish to believe that prime brokers are able to replace supervision—even though this idea seems to be very tempting.



Bundesbildstelle

German Federal Financial Supervisory Authority, Jochen Sanio (right), shown here with Chancellor Gerhard Schröder (middle), and Bundesbank Board member Edgar Meister. Sanio said, "We can only get a grip on the systemic risk posed by hedge funds by regulating them directly. . . . The question is not whether hedge funds will cause a disaster; the only question is when."

Indeed, some people seem to think that we can handle the systemic risk posed by hedge funds by simply relying on the industry's will to regulate itself. With all due respect, I beg to disagree. Please don't misunderstand me. I warmly welcome industry initiatives such as the in-depth report of the Counterparty Risk Management Policy Group II chaired by Jerry Corrigan. Its recommendations are valid and should be followed. However, the report's proposal No. 47 concerning hedge funds is not without problems. Simply collecting large-exposure data does not appear to me to be a satisfactory solution—whether it be directly by asking hedge funds to deliver such data to supervisors, or indirectly by making them report to traditionally regulated financial institutions such as prime brokers. Those wishing to follow this line take it for granted that prime brokers would act swiftly after receiving negative information. This is a gamble I would not like to take. We cannot hand over supervision to private parties that are far from being neutral, but are pursuing their own interests. As regards the direct variant of proposal No. 47, let me just note that a supervisor who is relegated to the role of a mere observer isn't a supervisor at all. What use is even the best possible information if we supervisors cannot act on it accordingly? I would not like to be involved in such a process, because our involvement would be very likely to create a false sense of security in the markets which would be dangerous and counterproductive. All in all, the group's proposal No. 47 amounts to privatization of supervision, and therefore doesn't make much sense.

I also have my doubts about the Group's recommendations concerning risk management issues. I do appreciate

these standards and I do share the opinion that hedge funds should adopt them, but who will actually enforce them, pray tell? In the case of banks and broker dealers, peer group pressure and regulators will hopefully play a part in ensuring that any gaps will be filled in due course. Will market discipline and peer group pressure do the same job for hedge funds on a stand-alone basis? I think not. Why should hedge funds today feel under pressure to play along? They seem to hold all the aces in this game. Initiatives on a voluntary basis have worked only in particular circumstances. The best guarantee for success is the fear of the legislator.

Ladies and gentlemen, we can only get a grip on the systemic risk posed by hedge funds by regulating them directly. Huge amounts of regulated money are flowing into unregulated hedge funds. This process may even be encouraged by Basel II, because banks' capital requirements for high-risk assets will increase significantly, and the banks may therefore tend to leave their risky assets to other players—such as unregulated hedge funds. We have to stop this massive game of regulatory arbitrage, otherwise the riskiest assets will disappear into black holes, and our chances of controlling them will be nil.

Those who call for regulation must say how this can be done. Today's regulatory answer to systemic risk in the banking area is supervision of capital requirements and risk management. I would propose the same combination to be applied to hedge funds. Risk-sensible capital requirements would be the only appropriate means to eliminate, once and for all, any excessive leveraging. But even if the overwhelming majority of hedge funds already had adequate capital reserves, risk management would still be a very important issue—not only from their own perspective, but also from a regulatory point of view. Adequate risk management is very costly—banks know this—and very often the necessary investment is made only to meet obligatory requirements.

One thing should be clear, though: Regulation of hedge funds will only work properly if we develop internationally consistent and internationally recognized regulatory standards. If we fail to do so, the massive arbitrage game will continue—in a different way—by shifting the business to under-regulated jurisdictions. What we need is a world standard that would have to be implemented even by off-shore centers. But, alas, the international regulatory community lacks drive and, until now, has not shown much interest in drafting international standards for hedge funds. This is nothing new. After the LTCM crisis, the Basel Committee discussed the hedge fund question, and its enthusiasm for regulating them was underwhelming. Things have not changed since then.

But even if I am the voice of one crying in the wilderness, I will insist that the risks of inaction are high. The question is not whether hedge funds will cause a disaster; the only question is when. I will then wash my hands in innocence.

LaRouche vs. Greenspan: An 18-Year Fight Over Financial Derivatives

Alan Greenspan, an acolyte in the cult of Ayn Rand, was appointed chairman of the Federal Reserve Board in August 1987, shortly before the “Black Monday” crash of Oct. 19. From that perch, he has for 18 years overseen the deregulation of the American financial system, allowing financial derivatives to run wild, overwhelming the physical economy, and bringing the world to the precipice of economic-financial collapse. As the following chronology shows, every step of the way, Lyndon LaRouche and EIR have been warning of the consequences of these disastrous policies. Up to now, the Congress and the American people have, in general, not listened, preferring to chase the “riches” that have come with the biggest speculative bubble in history. The time in which to implement a change in policy—back to the American System—is running out.

(The gray tones highlight what actually occurred in the financial system.)

1987

May 26: Lyndon LaRouche warns that “an October crash would be very probable” unless government policies are changed.

Oct. 19: Stock market suffers largest loss in history, as Dow Industrial Average drops 508 points, or 22.6%.

1988

Dr. Wendy Gramm, wife of Sen. Phil Gramm (R-Tex.), is appointed by President Reagan to the chairmanship of the Commodity Futures Trading Commission (CFTC), which is supposed to regulate commodity exchanges. From this post, she nurtures the growth of the derivatives market.

April 12: In a half-hour nationwide TV address, LaRouche likens financial market behavior to a bouncing ball on a downward trajectory.

1989

March 30: Michael Milken of Drexel Burnham is indicted on 98 counts of insider trading and other financial manipulations involving junk bonds, leveraged buyouts, and hostile takeovers. In 1986, he had been raising over \$3 billion a week through junk bond sales, and told the *Washington Post*, “The force in this country buying high-yield securities has overpowered all regulation.” He eventually pleads guilty to six felony counts and is sentenced to a \$600 million fine and ten years in prison.



Lyndon LaRouche’s “bouncing ball” image of the economy, on national TV during the 1988 Presidential campaign.

1992

November: Enron successfully petitions the Commodity Futures Trading Commission, headed by Wendy Gramm, to remove energy derivatives and interest-rate swaps from CFTC oversight. This opens the door to a new era of profiteering in the energy markets. Gramm resigns from the CFTC when George H.W. Bush leaves office in 1993; she then joins the board of Enron.

1993

March 9: LaRouche proposes a 0.1% transaction tax on derivatives, and proposes emergency measures to restore the physical economy. “The derivatives bubble, by the very nature of these transactions, is a financial bubble in the tradition of the more primitive, more rudimentary, and far less dangerous bubbles of the 18th Century, such as the John Law bubble in France, and the South Sea island bubble in England in the same period of time. This is the John Law bubble gone mad. The vulnerability to the entire financial system, the chaos and destruction of actual physical processes of production, distribution, employment, and so forth is incalculable in potential, and therefore this thing must be brought under control promptly.”

May: Notional principal value of derivatives contracts in the United States is in the range of \$16 trillion.

May 23: LaRouche writes: “If you were a visitor from another solar system looking at Earth and looking at the situation here, and taking into account derivatives, would you advise anyone to invest in this planet?”

“I think the answer would be, on first impression: No. The significance of the derivatives, is the fact that they can be tolerated. The fact that they *are* tolerated in the way they are tolerated, in the way they are discussed in the financial community, indicates that *no one in their right mind* would invest in this planet, as long as the kind of thinking behind derivatives is hegemonic.

“What are derivatives? It’s risk management. It’s called capital. What kind of capital? Is it industrial capital? No, absolutely not. Rather, it is a manner of participating in a bubble which sustains itself by taxing the real economy, by sucking the life’s blood out of it as premiums to pay these charges on risk management. Because it is the net charges on risk management, as against risk, that is the basis of the system. In order to have a charge which exceeds the risk, you must extract that relative amount from the real economy.

“Where does it come from? It comes from not maintaining infrastructure, water systems, and so forth. It comes from not

maintaining industrial capacity; it comes from shutting down a plant in order to get something cheaper, presumably, from a cheap-labor area in a foreign country. It means looting of eastern Europe. It means looting the former Soviet Union. It means looting China through slave-labor projects, such as those in Hainan, or the enterprise zones, where Chinese are being gobbled up in Auschwitz-like patterns. . . .”

June: Rep. Henry Gonzalez (D-Tex.), chairman of the House Banking Committee, derides derivatives as “a fancy name for gambling.” He calls for an investigation of George Soros’s profiteering in the 1992 turmoil in European currencies. He scores Citibank and other major banks for off-balance-sheet derivatives speculation. “Is there money out there in these international markets for the procurement of goods, for firing the engines of manufacturing and production? No. it is paper chasing paper.” He also puts into the *Congressional Record* an article by *EIR* economist John Hoefle, on the size of the banks’ off-balance-sheet derivatives.

The History of the Fight Against Derivatives

From EIR, May 28, 1993:

The fight to institute Lyndon LaRouche’s proposal for a one-tenth of 1% tax on financial derivatives comes after intense warfare over this issue by many nations that were fighting to preserve their national sovereignty. In the United States, trading in options on agricultural commodities had been banned in 1936, and the ban was not officially lifted until 1983.

Farmers had opposed the highly destructive effect of options, one of the earliest forms of the derivative market, starting in the 1920s, long before they became as large as they are today; even then, farmers still exercised significant influence within the United States. In 1933, an attempt was made to manipulate the wheat futures market using options, which resulted in an opportunity for farmers to force the U.S. government to ban trading in these options. There were attempts to re-introduce trading in agricultural options during the 1970s, but the plan met with only limited success.

It was only in January 1983, when President Ronald Reagan signed the 1982 Futures Trading Act, that the ban was officially lifted. This was a major feature in the disastrous Reagan-era deregulation of the U.S. economy.

Contrary to the “free enterprise” argument that options markets are essential to agriculture, because they make the market more efficient, American agriculture has demonstrated its ability to function and thrive without options trading for the three and a half decades since the ban in 1936 through 1983.

Moreover, America had, for a short time, a small financial transaction tax, and the fight to impose a larger financial transaction tax was very intense in the late 1980s.

Throughout the 1950s and early 1960s, the United States had a low-rate transaction tax—called a stamp tax—on the issuance and transfer of stocks and debt. The tax was repealed in 1965.

Rumblings from Congress

However, in the late 1980s, the fight broke out more intensely for a transaction tax of a greater size. In 1987, Speaker of the House Jim Wright of Texas called for a transaction tax on the financial markets. Wright’s proposal called for a 0.5% tax on both the seller and the buyer in the same transaction, thus, effectively, amounting 1%. For six months, there was a heated public debate over Wright’s proposal. Wright was soon driven from office in what is generally agreed to be an overblown scandal. The Oct. 16-19, 1987 stock market crash confirmed Wright’s warnings of the instability of the financial markets.

Also in the 1989-90 period, during discussion of the 1990 Budget Reconciliation Act, Sen. Lloyd Bentsen, then chairman of the Senate Finance Committee and later Secretary of the Treasury, raised a proposal for a transaction tax on selected financial instruments on the floor of the Senate.

In February 1990, partly in response to the furor over this issue, the Congressional Budget Office, in its report “Reducing the Deficit: Spending and Revenue Options,” had a section entitled “Impose a 0.5% Tax on the Transfer of Securities.” Its analysis of the tax reported that “the tax would have to be broad-based, applying to stocks, debt, options and trades by Americans on foreign exchanges.” . . .

—Richard Freeman



July: In a mass-circulation pamphlet, “Tax Derivatives Speculation; Pop the Financial Bubble, Rebuild the World Economy,” published by the *New Federalist* newspaper, LaRouche warns of “the prospect of a derivatives bubble which grows like a cancer at the expense of its host, and shrinks its host, at the same time its appetite is growing, while the means of satis-

fying that appetite are collapsing.”

July: A report, “Derivatives: Practices and Principles,” is released by the Group of 30 top executives from money-center banks (Dennis Weatherstone, chairman of J.P. Morgan, Inc., heads the group, which includes former U.S. Fed Chairman Paul Volcker). The report asserts that there is no cause to worry about derivatives.

August: Ferruzzi, the multinational food giant, reveals \$3 billion of derivatives losses.

Sept. 8: *EIR*’s John Hoefle testifies on the dangers of derivatives before a House Banking Committee hearing on NAFTA, at the invitation of Chairman Henry Gonzalez.

Oct. 28: The House Banking Committee holds first-ever hearings on derivatives. *EIR* submits written testimony, entitled “Tax and Dry Out the Derivatives Market; Don’t Regulate It.”

December: Big derivatives losers are Germany’s Metallgesellschaft, \$1.34 billion; Malaysia’s Bank Negara, \$3 billion.

1994

February: Fed raises interest rates slightly, for the first time in five years, which is seen as an attempt to slow speculative bubbles. The result is a bloodbath in speculative markets. Hedge funds lose billions; the mortgage-backed securities market disintegrates. Rumors fly that there is trouble at Bankers Trust.

Long Term Capital Management (LTCM) hedge fund is started up by Robert C. Merton and Myron S. Scholes.

Feb. 1: Greenspan tells the Bankers Club in London that the rapid growth of trade in derivatives reinforces the requirement for central banks to oversee monetary policy and payments systems to protect the integrity of the financial system, “whether written in law or not.”

Feb. 2: LaRouche comments on Alan Greenspan’s Feb. 1 remarks defending extra-legal practices by central banks to



EIRNS/Claudio Celani

deal with derivatives:

“The problem is that we’ve got a bunch of yuppies in Europe and in the United States, who are sitting at their personal computers or similar devices, and making money out of thin air, but at the expense of real business and real people. We’re destroying the economy by a kind of cancer of speculation, which acts just like a metastatic, malignant cancer, eating at the whole of our economy: We gobble up assets; we sell off assets; we strip assets; we downsize—all for the purpose of feeding this margin of profit into this game called derivatives, and similar kinds of speculation.

“These people are fanatical.

“What’s the issue? The issue is, first of all, like most prosecutors that I’ve known in this country, the Fed officials lie all the time. Why should anybody be surprised about that? They’re looting the American people! Are they going to say that?”

April: Crisis surfaces at the venerable Kidder Peabody investment house; in August, GE dumps it.

Derivatives losers over the Spring months, include hedge funds: George Soros, \$600 million; Julian Robertson, \$875 million; Michael Steinhardt, \$1 billion; Askin Securities, \$600 million; Vaircana Ltd., \$700 million. Others: Bankers Trust, \$250 million; Gibson Greetings, \$23 million; Cargill, \$100 million. Public funds and entities include: City Colleges of Chicago/Cook County, \$19.2 million; Eastern Shoshone Tribe of Wyoming, \$700,000.

May 25: Bank of England Executive Director Brian Quinn praises derivatives before a conference co-sponsored by the Futures and Options Association and the Futures Industry Association: “The ingenuity of the specialists who design and price derivatives products . . . seems boundless. . . . Derivatives do not entail any new risks. . . . If the presence of derivatives makes prices of financial assets more volatile, does this necessarily mean the financial system is inherently less stable? The instinctive answer to this question seems to be ‘yes.’ However, academic work—while inconclusive—sug-

gests that, if anything, the opposite is the case.”

May 26: Greenspan testifies before the House Finance Subcommittee hearings on derivatives: “There is nothing involved in federal regulation per se which makes it superior to market regulation. Today’s markets and firms, especially those firms that deal in derivatives, are heavily regulated by private counterparties who for self-protection insist that dealers maintain adequate capital and liquidity.”

June 7: At a “Forex 94” conference in London, British Central Bank chief Eddie George declares that worries on derivatives are vastly exaggerated. What he fears much more than derivatives is any kind of stable foreign exchange rates: The establishment of a single European currency would increase unemployment in Europe and could lead to waves of migration of unemployed people across the borders of EU member states. He warns against any attempt to re-establish an international system of fixed exchange rates like Bretton Woods.

June 13: LaRouche releases his “Ninth Forecast,” published in *EIR* on June 24 (“The Coming Disintegration of Financial Markets”). In it, he underlines the derivatives risk:

“It comes as no surprise that the name of the Bank of England’s Eddie George is added to the list of which it must be said that ‘whom the gods would destroy, they first make mad.’ During the course of the current London meeting of the International Monetary Conference, Eddie joined the ranks of those greed-maddened public fools of finance who insist that the danger from the now metastatically cancerous financial bubble in derivatives speculation is being exaggerated by some critics. . . .

“The presently existing global financial and monetary system will disintegrate in the near term. . . . That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization. . . .

“The Federal Reserve System is key to the derivatives bubble of today. Without corrupt, virtually treasonous complicit officials at the Fed, the speculative mania which has ruined our nation and much of the world besides would not have been possible. . . .

“The cancer of speculative derivatives burgeons—an ugly growth. Worse, to exist, the cancer must loot the healthy tissue in at least equal degree. Thus the monster grows, while the human being is sucked to death so. Excise the tumors, kill the cancer without killing the healthy tissue. The task is destroy the parasite, to save its victim. . . .”

July 14: Felix Rohatyn, senior partner of Lazard Frères, argues in the *New York Review of Books* for the freedom of the “global private capital markets”: “A genuine worldwide market in stocks, bonds, currencies, and other financial instruments has emerged, tied together by modern data-processing and communications technology, and operating 24 hours a day. . . . The cold-blooded selection process by which world capital is invested will determine the economic progress of many nations.”

November: Securities and Exchange Commission (SEC)

and CFTC investigate Bankers Trust, which fires its derivatives executives.

December: Orange County, California, one of the nation’s richest, files for bankruptcy after losing \$1.7 billion in the derivatives market.

Derivatives losses become a byword across the country, ranging from Minnesota Orchestral Association, \$2 million; to Odessa College, Texas, \$11 million; to Piper Jaffrey Mutual Funds, \$700 million. Florida, Ohio, South Carolina, Colorado, and Maine are also hit.

SEC/CFTC and Bankers Trust reach agreement, in which the government takes control of the bank, and Bankers Trust pays a \$10 million fine.

Dec. 7: The Joint Economic Committee of Congress calls Greenspan to testify, and grills him on derivatives. Committee Chairman Kweisi Mfume (D-Md.) remarks: “The action that the Fed took with respect to Bankers Trust is a welcome one, but I personally am not convinced that this Federal action alone constitutes an adequate Federal response for the very significant amount of financial exposure that our country seems to be facing, as a result of derivatives.”

Greenspan insists that no Federal regulation of derivatives is called for. “I do think we are in a period of evolving both private market and supervisory procedures in this regard. We are dealing with a very rapidly growing market in which there are very complex techniques involved in creating various products to unbundle risk. It is not easy to determine what the optimum amount of disclosure is, because if you’re talking about full disclosure in all respects and all regards, then everyone is going to have to disclose very elaborate mathematical models with extraordinary detail involved in it, which would not serve anybody’s purpose.”



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1995

February: Barings Bank, one of the oldest, most prestigious institutions, connected to Britain’s royal family, fails over Asian derivatives deals.

July 28: In an *EIR* Feature on “Why Most Nobel Prize Economists Are Quacks,” LaRouche writes:

“The October 1987 stock-market collapse signalled the

coming end of the 'junk bond' phase, and inaugurated that 'financial derivatives' bubble which has made the early doom of the existing monetary system inevitable. . . .

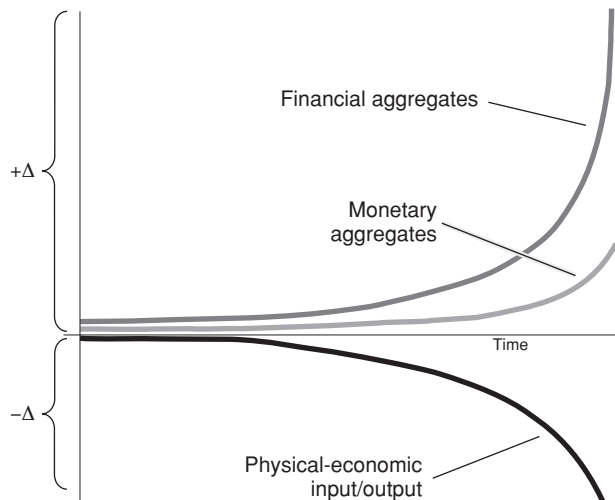
"The increase of the size of the bubble increases the rate of growth of fictitious accumulations required to prevent the bubble from shifting into a reversed-leverage phase. The increase of the rate of growth of fictitious accumulations required, obliges the central banking systems to feed increased money-flows into the bubble's speculative base, otherwise, the fictitious accumulations are slowed, and the bubble as a whole then shifts into a reversed-leverage phase. The increase of the accumulated debt-capitalization used to fund the inflows of currency into the bubble's speculative base, causes an increased tax (of various sorts) upon the economy which the central banking system is looting to support the speculative base of the bubble. . . ."

Dec. 2: At conferences in Italy and Germany, LaRouche releases his "Triple Curve" Typical Collapse Function schematic (Figures 1 and 2). He describes it as follows: "This figure is a summary of three curves which are characteristic of the process of monetary and financial disintegration of the world economy."

1996

June: Pennsylvania State Rep. Harold James (D-Phila.) introduces House Bill 2833, to levy a state tax at the rate of two-tenths of 1% on the transfer or sale of "any bond, stock, security, future, option, swap, or derivative." James urges immediate adoption of the bill, both for revenues to back state medical and other urgent services, and to discourage speculation. Similar bills are proposed in Louisiana, Alabama, and New Hampshire, but all are eventually beaten back.

FIGURE 1
LaRouche's Typical Collapse Function



The "triple curve" schematic, introduced at a Rome conference in 1995, forecast accurately what would happen to the global economy.

September: RhumbLine, a Massachusetts-based asset management company, racks up derivatives-based losses from January 1995 through September 1996, including \$12 million in losses for the Massachusetts state employees and teachers fund; and \$150 million for the AT&T pension fund.

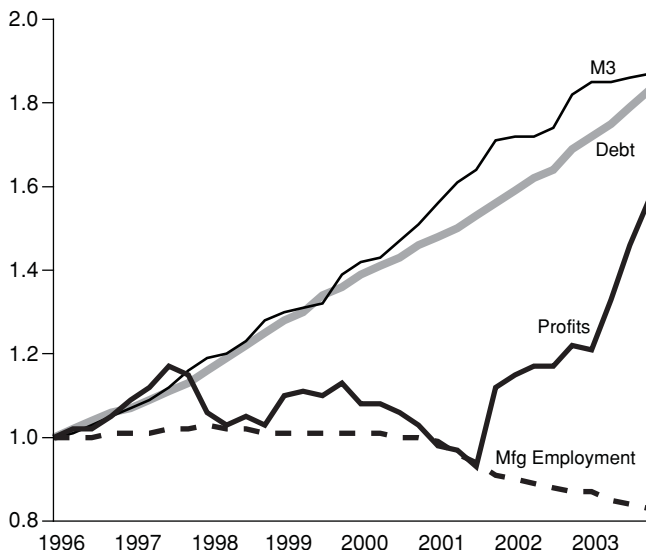
1997

January-September: The notional principal value of off-balance-sheet derivatives holdings of U.S. commercial banks rises 26.5%, to a record \$25.7 trillion, more than 62 times their equity capital.

Jan. 4: LaRouche calls for a New Bretton Woods system, in a speech to the FDR-PAC in Washington: "The United States must act, together with other powers, to put the world into bankruptcy reorganization. *Every financial system, every banking system in the world, is presently bankrupt!* Particularly those that are involved in derivatives. Therefore, the United States must take leadership, international leadership, in proposing a new Bretton Woods, which would be a good term for it, which is what I've proposed—that we're going to go back to the principles of the Bretton Woods system in its best years, and the United States, as the principal prospective partner in such agreement, will try to get every nation that's willing to go along with this idea, to assemble and do it. And, those that *don't* wish to go along with it, that's just

FIGURE 2
Changes in Triple Curve Components,
1996-2003

(Indexed to 1Q/1996 = 1.00)



Sources: Federal Reserve; Bureau of Economic Analysis; Bureau of Labor Statistics; EIR.

tough, we're going to go ahead with it anyway."

April 16: Enron official and International Swaps and Derivatives Association director Mark Haedicke, testifying before a House Subcommittee on Risk Management and Specialty Crops hearing on the CFTC, demands that Congress explicitly legalize certain derivatives actions which are illegal under existing law. Noting that the law "flatly prohibits off-exchange futures contracts," making them "illegal and unenforceable as a matter of law," Haedicke insists that legalization were necessary, for Enron and its peers to obtain "the full benefits of future innovations in risk management techniques."

April: In her confirmation hearings to become chairman of the CFTC, Brooksley Born warns that Wendy Gramm's exemption of energy derivatives from CFTC oversight "could lead to widespread deregulation," which "would greatly restrict Federal power to protect against manipulation, fraud, financial instability, and other dangers." This would "pose grave dangers to the public interest."

July: Greenspan writes three letters to the Financial Accounting Standards Board, vehemently opposing its proposal that derivatives contracts be listed on corporate books. In his third letter, released on July 31, he writes: "The FASB proposal may discourage prudent risk management activities and in some cases could present misleading financial information." He says that his letter was endorsed by the heads of 22 "major companies in a number of industries that use derivatives [and] have expressed serious concerns about the FASB's proposed rules changes." These 22 corporate leaders are mostly bankers.

Oct. 14: Long Term Capital Management (LTCM) hedge fund's founders, Robert C. Merton and Myron S. Scholes, are awarded the Nobel Prize in economics, for "a new method to determine the value of derivatives." (See **Figure 3.**) In the words of the Royal Swedish Academy of Sciences which announced the prize, they "developed a pioneering formula for the valuation of stock options. . . . It has . . . generated new types of financial instruments and facilitated more efficient risk management in society."

1998

March: Greenspan opposes CFTC head Brooksley Born's proposal to study U.S. derivatives trade.

April 2: At a meeting in Rome on the New Bretton Woods, LaRouche says: "The system is essentially bankrupt. The international financial system is bankrupt. There is only the prosperity of fools in the system. We have in the world presently, dominated by so-called derivatives, about \$140 trillion equivalent of short-term gambling debts. In the recent years, especially since 1982, and most emphatically since 1987, the growth of derivatives has taken over and eaten up the banking system itself."

May: CFTC calls for closing the derivatives exemption issued by previous chairman Wendy Gramm.

July: House Banking Committee hearings designed to beat

FIGURE 3

Black-Scholes Formula for Derivatives

Black and Scholes' Nobel Prize-winning formula for a European call option can be written as

$$C = SN(d) - Le^{-rt}N(d - \sigma\sqrt{t})$$

where the variable d is defined by

$$d = \frac{\ln \frac{S}{L} + \left(r + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}$$

The value of the call option C , is given by the difference between the expected share value—the first term on the right-hand side—and the expected cost—the second term—if the option right is exercised at maturity. The formula says that the option value is higher, the higher the share price today S , the higher the volatility of the share price (measured by its standard deviation) σ , the higher the risk-free interest rate r , the longer the time to maturity t , the lower the strike price L , and the higher the probability that the option will be exercised (the probability is evaluated by the normal distribution function N).

A year after receiving the Nobel Prize, the two economists' huge hedge fund, LTCM, went bankrupt, threatening to bring down the global financial-monetary system.

the CFTC into submission. Enron board member and former CFTC chairman Gramm testifies that no further regulation of over-the-counter derivatives is necessary.

September: Long Term Capital Management (LTCM) fails, having transformed around \$3 billion in investment capital into \$100 billion in bank credit, and then issuing further financial bets with a nominal value of at least \$1.2 trillion. Other estimations of the derivatives obligations of LTCM place them at up to \$3 trillion.

Sept. 23: The New York Federal Reserve calls the heads of the 16 largest banks of the world together, overnight, in order to start an immediate joint rescue operation for LTCM. The Fed moves to bail out its creditors, with a \$3.6 billion rescue fund.

Oct. 1: Greenspan tells the House Banking Committee, don't study and don't touch derivatives. "The structure of counter-party interrelations is the main means of regulation."

Nov. 6: LaRouche writes in *EIR* on "The Roots of Today's Mass Hysteria." "How could most of the leading banks and related institutions of this planet, have been, for so many years, such pathetic suckers for such an obvious swindle as that

so-called 'derivatives' bubble which now threatens, at almost any moment, to do to the world's financial system what the Weimar hyperinflationary bubble did to the 1923 Reichsmark? Speaking clinically, the problem is that, for more than a decade, the world's leading financial institutions, and the governments, including most officials of the Executive Branch and the Congress of the U.S.A., have behaved as lunatics, on financial, monetary, and economic policy. That behavior of those institutions is a case of mass hysteria."

Dec. 16: *EIR*'s Hoefle presents written testimony, "Don't Just Regulate the Derivatives Market, Eliminate It! Assert Financial Sovereignty Over the Financial Markets," to a Senate Agriculture Committee hearing on over-the-counter derivatives.

1999

January: Speculator George Soros, commenting on the panic over Brazil's debt and sky-high interest rates, tells a news conference, "I don't think there is a great deal of time, really. . . . Interposing a wall of money would stabilize the situation."

2000

Dec. 15: Congress passes the Commodity Futures Modernization Act, legalizing the exemption of energy derivatives from CFTC regulation. Sen. Phil Gramm played the key role in ramming the legislation through. It is signed into law on Dec. 21. According to a CFTC press release, the law "is a significant step forward for U.S. financial markets. This important new law creates a flexible structure for regulation of futures trading, codifies an agreement between the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission to repeal the 18-year old ban on trading single stock futures and provides legal certainty for the over-the-counter derivatives markets. . . ."

2001

June 20: Senate Banking Committee conducts a hearing on "The Condition of the U.S. Banking System." Greenspan gives an opening statement, saying that great improvements have been made in "risk management" and control systems. *EIR*'s Hoefle submits written testimony, describing the risk from derivatives:

"Picture a dog with a very bad case of fleas, the dog representing the productive sector of the U.S. and the fleas representing the worst elements on Wall Street. During the 1970s and 1980s, the fleas built up huge trading empires, trafficking in the flesh and blood of the dog. The fleas were so successful that the once-powerful dog began to dramatically weaken, and no longer produced enough blood to allow the fleas to continue trading in the manner to which they had become accustomed. Being clever critters, the fleas came up with a solution which pleased them all: They began trading in blood futures. Since they were trading in futures rather than actual "product,"

they were no longer limited by the amount of blood they could suck from the dog. The level of trading expanded dramatically, and the fleas became rich beyond their wildest expectations. Right up to the point that the dog died.

"That, in essence, is the nature of today's derivatives markets, and the global financial system as a whole. . . ."

2002

Nov. 19: Greenspan addresses the Council on Foreign Relations on the potential for a taxpayer-funded bailout of the derivatives market:

"More fundamentally, we should recognize that if we choose to enjoy the advantages of a system of leveraged financial intermediaries, the burden of managing risk in the financial system will not lie with the private sector alone. Leveraging always carries with it the remote possibility of a chain reaction, a cascading sequence of defaults that will culminate in financial implosion if it proceeds unchecked. Only a central bank, with its unlimited power to create money, can with a high probability thwart such a process before it becomes destructive. Hence, central banks have, of necessity, been drawn into becoming lenders of last resort.

"But implicit in such a role is the assumption that the burden of risk arising from extreme outcomes will in some way be allocated between the public and private sectors. Thus, central banks are led to provide what essentially amounts to catastrophic financial insurance coverage. Such a public subsidy should be reserved for only the rarest of occasions. If the owners or managers of private financial institutions were to



Alan Yue

anticipate being propped up frequently by government support, it would only encourage reckless and irresponsible practices."

2003

Feb. 4: The Office of Federal Housing Enterprise Oversight, headed by Armando Falcon, issues a report on the "systemic risk" of the securities and derivatives activities of Fannie Mae and Freddie Mac. The White House responds by demanding Falcon's resignation.

Dec. 19: The giant Italian food company Parmalat goes bankrupt. It had increasingly shifted its operations out of productive activity and into derivatives.

2004

Jan. 3: LaRouche issues an article (published in *EIR* on Jan. 16), “Parmalat and LTCM: Pricking the Big, Big, Big Bubble.” He writes: “The signs are piling up virtually by the day, that the collapse of the Parmalat bubble may not be a relatively minor, Enron-style debacle; but, a larger version of that type of crisis, of the Long Term Capital Management hedge fund, which already shook the foundations and rafters of the world monetary-financial system during August-September 1998.”

Jan. 13: Greenspan speaks in Berlin, demanding further, radical deregulation and globalization of the world financial system. He attempts to calm European worries about the exploding U.S. trade and currency account deficits, and the collapse of the dollar. *EIR*'s Dr. Jonathan Tennenbaum intervened, saying that Greenspan's policies were leading to “the collapse of the greatest financial bubble in modern history.” Eighty percent of the U.S. population “do not see the great prosperity you talk about,” Tennenbaum said. “Lyndon LaRouche has pledged to put an end to the system of independent central banking. You, Mr. Greenspan, will be the last chairman of an independent central bank in the United States. What do you say about that?”

Greenspan replies: “I can't deny the possibility that the whole system might collapse.” Credit derivatives “have been quite extraordinary in being able to take a very major potential problem in finance—and I will give you one specific example—and defuse what could have been the makings of what could have been a very major financial crisis.”

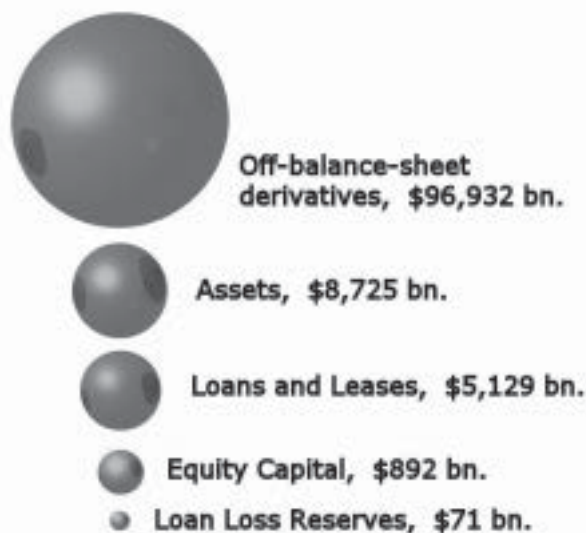
Elaborating on the method of “solving” one bankrupt bubble by creating another much larger one, Greenspan let some cats out of the bag: “I refer to the fact that between 1998 and 2000, world-wide and in all currencies, the equivalent of \$1 trillion of debt was taken out by the telecommunications industry, a significant part of which went into default. Had we had the type of financial system which we had in the earlier postwar period, with the rigidities you referred to, because banks are largely leveraged institutions, we would have had a very major collapse in banking. In the event, however, because credit derivatives moved the risks from banks who initiated the credits, to those far less leveraged institutions, which were insurance companies, reinsurance, pension funds, etc. not a single major international financial institution was in trouble. These have been very major instruments for *smoothing out the system*. . . .

“And you presume that as a consequence of all of these issues, that we are sitting on some massive financial bubble, which is going to blow up in our faces. You are not the only one who says that. . . .

“How do we know that the total system will not collapse?”

FIGURE 4

U.S. Commercial Banks, June 30, 2005



Derivatives dwarf banks' other assets: This is a snapshot from an animation which is posted at www.larouchepub.com/animations.

Well, the answer to that question . . . is that no one has the omniscience and certainty to say, without qualification, that you are wrong. I shall merely say that the evidence that most of us who evaluate the data with respect to trying to answer that question, have overwhelmingly come to the conclusion, that that is extraordinarily unlikely to happen.”

December: Deutsche Bank's 2004 year-end annual report states that the bank holds derivatives positions, mostly interest rate derivatives, of a nominal volume of \$21.5 trillion. That is about ten times the GDP of the German economy.

2005

Jan. 14: *EIR* reviews the “astounding growth of derivative side bets,” as reported in the U.S. Comptroller of the Currency's Dec. 21, 2004 report. J.P. Morgan Chase had \$43 trillion in derivatives as of Sept. 30, 2004, an amount roughly equal to the annual gross world product, and four times U.S. GDP. Citibank had \$17.5 trillion, and Bank of America \$17.1 trillion. Banks' derivatives holdings have increased at about 25% a year for the past three years, more than doubling since the end of 2000, when they stood at \$40.8 trillion, according to the FDIC Quarterly Banking Profile for the third quarter of 2004.

March 3: U.S. Senate Minority Leader Harry Reid (D-Nev.) states that “Greenspan is the biggest political hack we have here in Washington,” in a CNN interview.

May 5: Standard & Poor's downgrades \$453 billion in outstanding debt of GM and Ford to “junk.”

May 10: Banks known for their giant derivatives portfolios—including Citigroup, J.P. Morgan Chase, Goldman Sachs, and Deutsche Bank—are hit by panic selling, as the effects of the GM/Ford blowout hit the markets.

May 18: Bank of England Deputy Gov. Andrew Large warns, “Credit risk transfer has introduced new holders of credit risk, such as hedge funds and insurance companies, at a time when market depth is untested.” Large states that the growth of derivative instruments has “added to the risk of instability arising through leverage, volatility, and opacity.”

Oct. 12: Phillip Bennett, CEO of Refco, Inc., a leading futures-trading firm, is arrested for securities fraud, for allegedly cooking Refco’s books to mislead investors who bought nearly \$600 million worth of the company’s stock when it went public in August. In February 2005, Refco had \$150 million in equity supporting \$49 billion worth of assets—i.e., 0.3% of assets. As of February 2004, Refco had \$69 billion in off-balance-sheet derivatives contracts; in February 2005, \$127.5 billion; and in May 2005, \$150 billion.

Oct. 17: Refco files for bankruptcy protection.

Glossary of the Global Financial Casino

Hedge Fund: A form of mutual fund used by wealthy individuals and institutions to engage in aggressive speculative activities prohibited for ordinary mutual funds. Hedge funds are restricted by law to no more than 100 investors per fund, and these investors are presumed to be sufficiently knowledgeable to understand the risks. Most hedge funds have extremely high minimum investment amounts ranging from \$250,000 to well over \$1 million.

Derivative: A financial contract whose value is derived from the performance of assets, interest rates, currency exchange rates, or indexes. Derivative transactions include a wide assortment of financial contracts including structured debt obligations and deposits, swaps, futures, options, caps, floors, collars, forwards, and various combinations thereof.

Credit Derivative: A contract between two parties which uses a derivative to transfer credit risk from one party to another, in exchange for a fee. For example, an investor who owns bonds issued by General Motors might buy a credit derivative from his investment bank, which will pay off should General Motors default on the bonds. In return, the investor pays the investment bank a fee, which the bank considers sufficient to run the risk that it will have to pay. If there is no default, the bank makes a tidy profit.

Collateralized Debt Obligation: CDOs are securities backed by pools of assets, mainly non-mortgage loans or bonds. In exchange for interest charges, buyers of the CDOs bear the credit risk of the collateral, which means that if any of the loans or bonds in the pool are not repaid, the holders of the CDOs take the loss. CDOs are made up of tranches, with various maturities and risk characteristics, with the equity tranches carrying the most risk, and therefore paying the highest interest rate to the buyer.

Capital Structure Arbitrage: A form of arbitrage which

exploits differences in the pricing of a company’s stock price and its debt. These bets are growing rapidly because of the development of the credit derivatives market.

Over-the-Counter Derivative Contracts: Privately negotiated derivative contracts that are transacted outside of organized exchanges.

Exchange-Traded Derivative Contracts: Standardized derivative contracts transacted on an organized exchange, and which usually have margin requirements.

Off-Balance Sheet Derivative Contracts: Derivative contracts that generally do not involve booking assets or liabilities (for example, swaps, futures, forwards, and options).

Swap: A deal in which two counterparties agree to swap the cash flows from different financial instruments, such as securities paying fixed and variable interest rates. A Credit Default Swap is a form of credit derivative in which the buyer pays the seller in exchange for an agreed-upon payment should the specified “credit event,” such as a default or the breaking of a loan covenant, occur.

The reader is advised that the technical descriptions above do not begin to do justice to the insanity of the processes they describe. Credit derivatives, for example, do not really provide protection against a default, since the institutions which issue them are often in precarious financial positions themselves, and sell the derivatives because they are desperate for the cash flow. In the current environment, a credit derivative is mainly used to provide the accounting fiction that certain mostly worthless assets on a company’s books still have value. The derivatives market, overall, is designed to *hide* the bankruptcy of the system by providing virtual assets to paper over gaping holes in the system, as well as garnering cash flow from selling mafia-like protection to companies ravaged by market manipulations. One of the chief agencies of such manipulations are the hedge funds, which act as front men for the Anglo-American central banks and their sibling financial institutions.

—John Hoefle

Will New Government Re-Industrialize?

by Rainer Apel

The coming Grand Coalition government of Christian Democrats (CDU-CSU) and Social Democrats (SPD) will not take office before late November, because special conventions of the three coalition parties will first have to approve the program and the composition of the cabinet. Although important questions, such as economic policy orientation, have still not been conclusively discussed by the coalition parties, it is generally expected that by mid-November the party conventions will give their go-ahead for the coalition agreements, so that CDU party chairwoman Angela Merkel can be elected by the majority of the Federal parliament—in which the CDU, CSU, and SPD combined have more than two-thirds of the seats.

Merkel, who started out as a radical neo-con at the beginning of the election campaign in July, has since then turned into a moderate neo-con, which is acceptable to the Social Democrats and, even more important, to her own party's influential Christian workers' wing. It is from the latter current, that Merkel's neo-con positions of the campaign have come under the strongest attack, after her neo-con ambitions for a coalition with the radical neo-cons of the Free Democrats (FDP) were ruled out on election day. Finding no other partner for a coalition, Merkel was forced to secure her chancellorship with significant concessions to the SPD, which concessions were also the high price to be paid to get the SPD's candidate for Chancellor, incumbent German Chancellor Gerhard Schröder, to drop his own chancellorship ambitions on Oct. 10.

Merkel had to sacrifice her "flat tax" proposal, health sector cuts, and the abolishing of labor regulations. Her chancellorship is, therefore, a "contained" one; this is also shown by the fact that Merkel's Vice Chancellor (and Minister for Labor and Social Affairs) will be SPD chairman Franz Müntefering, who unleashed the public debate on against hedge funds and other "financial market locusts" in Germany, back in April.

Containment of Merkel will occur also on the foreign policy front. Schröder's "alter ego," the former chief of the Chancellor's Office, Frank-Walter Steinmeier, will become Foreign Minister. Steinmeier has been involved in most of the Eurasian aspects of Schröder's foreign policies over the past seven years, including the intensification of relations with Russia, India, and China, and the German "no" to the Iraq War of 2003.

The LaRouche Factor

Yet neither the Social Democrats nor the coming Grand Coalition government have so far found convincing answers regarding what to do about the global financial crisis, and how to regain full employment. This will not be possible without a substantial issuing of new loans by the state, or at least with the state playing a crucial role, with investments in the range of definitely more than 100 billion euros a year. The only political force in Germany, so far, that has proposed a state-directed job-creating, public-sector investment program, is the Civil Rights Movement Solidarity (BüSo) party, chaired by Helga Zepp-LaRouche. The BüSo is calling for a program in the range of 200 billion euros per year. But a broader discussion on economic and investment policies has begun in the country, because a Grand Coalition would have a sufficient majority in parliament, to push through positive changes and to walk out of the monetarist and ecologist paradigms of the past 25-30 years of government.

Restoring job-creation and investment priorities over ecologism, will be a tough job, because of three decades of green ideologies penetrating the country's institutions. Now, however, the Greens—the ecologist party—no longer are in the government. It should be possible, therefore, for the CDU-CSU and SPD to dump the previous government's anti-nuclear technology stance, and to launch big public projects of infrastructure development, which was not possible in the era of Green Party government participation. Now five years into the new century, Germany should finally make a step to introduce 21st-Century technologies like a Transrapid maglev train network, the thermonuclear fusion reactor, or the CargoCap commodity transport tube system, for revolutionized urban-area logistics. Germany has to be reindustrialized.

Top Priority: New Jobs

The other challenge to German politics, in addition to ecologism, is to begin a debate on productive generation of credit. Especially among the labor unions, there is a strong interest in programs for the fight against mass unemployment. But the labor union proposals made so far do not emphasize the size that such programs must have, to generate any significant effect on the labor market. The metal workers union has proposed a program for job creation, with an emphasis on projects of municipal and regional public infrastructure, of 20 billion euros by the end of 2005, then increasing to 40 billion a year by 2009. That would trigger a re-employment effect of 800,000 jobs over the next four-year period. But to regain full employment, ten times as many jobs have to be created, since real unemployment in Germany is at 9-10 million. And, the proposal is only an indirect commitment to re-industrialization; it still lacks a clear endorsement of the creation of new jobs in industry. The metal workers' proposal is a step in the right direction, though, but larger steps must follow.

The Neo-Cons Are British Liberal Imperialists

by Mary Burdman

British Prime Minister Tony Blair proclaimed the end of the sovereign nation-state, in his speech to the United Nations General Assembly on Sept. 12. In his short address, Blair demonstrated why Lyndon LaRouche is so emphatic that now is the time to end the pernicious influence of the British “Liberal Imperialists” on the United States. Vice President Dick Cheney and his cohorts are now under huge pressure in Washington, but to defeat the neo-conservatives, their policies have to be dug out at the root. And the roots are the policies of the 19th-Century Liberal Imperialists, who used free trade, “gunboat diplomacy,” and national liberation fronts to get global reach—and to set the stage for the world wars of the 20th Century.

Indeed, the “neo-cons” who now dominate the Cheney-George W. Bush Administration, claim Blair as one of their own, in the Liberal Imperial tradition of Lord Palmerston and Winston Churchill. Blair’s “New Labour” regime is a prime example of how imperial politics really work, exposing the foolish notion that conflicts between “left” and “right” mean something. To understand the extent of the threat posed by Cheney, Bush, and Blair, it is essential that people, especially those *outside* the United States, finally realize that “neo-cons” are not “right-wing Americans,” but an alien and far nastier species.

In his short address to the UN World Summit, Blair demanded that the United Nations “must become the visible and credible expression of the globalization of politics.” Humanity supports “common values” of what he calls freedom, tolerance, human rights, and opposition to extremism, Blair proclaimed: “For the first time at this Summit we are agreed that states do not have the right to do what they will within their own borders, but that we, in the name of humanity, have a common duty to protect people where their own governments

will not.” Blair thus threw out the fundamental principle of national sovereignty, on which the UN was founded, and attempted to *justify* invasion—whether by military, political, or economic means—of any nation whose policies do not cohere with those of Tony Blair.

This Blair obsession of using “values” to destroy national sovereignty is “appallingly dangerous,” a leading British military historian told *EIR* Oct. 17. Blair is “trying to overturn the Treaty of Westphalia of 1648, the treaty which protects sovereign nations from invasion,” based on ideologies, “religious,” or other conflicts. If you rip up the Treaty of Westphalia for your own ends, what should prevent some Islamic or other extremist from attacking a Western nation because of what they call its decadence?

Blair’s fixation on “values” actually justifies ever-greater aggression, as author Ben Rawlence, formerly foreign policy advisor to the Liberal Democratic Party, wrote in *The Guardian* in October 2004. Blair’s “distinction between values and interests is crucial,” Rawlence wrote. “Interests are usually defended, values are promoted. Interests are material and can be defined, values are hard to pin down and know no limit. . . . The problem occurs when British security is linked to the spread of those values, and when we wage war in their name. British national interest is explicitly located in the internal affairs of other countries, violating international traditions of non-interference, and destabilizing governments.”

Against the Treaty of Westphalia

Blair had attacked the Treaty directly in a speech of March 5, 2004, written by the radical new-wave imperialist Robert Cooper (who has since moved on to the European Union in Brussels). Embroiled in growing controversy over the failure to find any weapons of mass destruction in Iraq, Blair revealed

why he had really gone to war, and asserted that he had wanted to break from the Westphalia principle *before* the Sept. 11, 2001 attacks. While Sept. 11 changed “the world’s view of the justification of military action,” Blair said, “humanitarian grounds” were already becoming a justification for war. “I was already reaching for a different philosophy in international relations from a traditional one that has held sway since the treaty of Westphalia in 1648; namely, that a country’s internal affairs are for it and you don’t interfere unless it threatens you, or breaches a treaty, or triggers an obligation of alliance.”

This “philosophy,” Blair claimed, justified the assault on Iraq—whatever the results. The “best defense of our security lies in the spread of our values,” Blair claimed. “But we cannot advance these values except within a framework that recognizes their universality. If it is a global threat, it needs a global response, based on global rules. . . . If we are threatened, we have a right to act. . . . We surely have a duty and a right to prevent the threat materializing; and we surely have a respon-



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*Says Lyndon LaRouche:
“Blair is a Limp
. . . a real war-
monger.”*

LaRouche: Blair the Fascist

In his Oct. 12 international webcast, Lyndon LaRouche elaborated on Tony Blair’s pedigree, in response to a question on Angela Merkel and the neo-cons in Europe.

. . . The fascist in Britain, is Tony Blair and the Blair government, the Labour government. Now, this is consistent with Britain. If you want a fascist in Britain, you don’t go to the Conservative Party, you go to the Labour Party. That’s where most of the fascists in Britain have come from. [T]he fascists in Britain of the 1930s, were from the Labour Party background, from the Fabian Society. The Fabian Society was the imperialist arm of imperialist policy of the Prince of Wales, Bertie, later Edward VII, who organized World War I almost all by himself. A purely evil character. So, the Fabian Society produced what we call the “Liberal Imperialists,” otherwise called “Limps.” . . .

Now, by pedigree, Blair is a Limp. I haven’t talked to his wife about this, but he’s a Limp. And he is the fellow that is the real war-monger. He is directly connected to Cheney, through members of what was his government, through Lynne Cheney, Cheney’s wife. And, she is the one who is the controller in the family. . . .

[T]he Bush-Cheney-Blair connection is the essence of the neo-cons. The neo-cons’ significance is that they are Trotskyists. Permanent Revolution. And these are the variety of Trotskyists, who are told, by their banker owners:

“Look, we are letting you in on the inside of this thing. We were leftists, you know, but that’s only one aspect of us. You are now prepared to go to a higher level of confidence and be an insider. You now can become a real Trotskyist, who understands the secret codeword meaning of ‘Permanent Revolution’: which is permanent warfare, and permanent regime-change.”

So, then they’re told that they’re now advisors, think-tank advisors, of Permanent Revolution, permanent war. What you are dealing with is a special kind of anti-capitalist mentality. Now, they understand by capitalism, not finance. “Finance is good. Capital is bad. Industry is bad. Industrialism is bad. Finance is good. Stealing is good. Money ruling the world is good. We work for bankers: They support us. They fund us.” So, that’s what the neo-con is.

But, the reality is not the neo-con. The reality is what uses it. The reality is the *bankers*, who use it. And, I mentioned already, our dear friend Felix Rohatyn from New York, who is famous for Big MAC—not the edible variety, but the inedible variety; the one who takes your food away from you. And, this is where the danger comes from. It always is this. This kind of scum. This fascist scum. And they are fascist scum! In the strict sense. This fascist scum comes from a certain section of bankers, which are called the Synarchist International. And, it is the *bankers* who use them. It is the bankers they serve. It’s the bankers that fund them. It’s the bankers that move them into positions that they are in. Look at who owns them. The *Washington Post* is one of the centers of this stuff, part of the scumbag operation. That’s how it works. . . .

sibility to act when a nation's people are subjected to a regime such as Saddam's."

The result of Blair's assertion of his "values" in Iraq is clear: ever-worsening war, chaos, and an existential threat to the nation itself. But Blair is clearly not satisfied. Recently, he had the effrontery to warn Iran off from "interfering" in Iraq!

The very deep opposition in Britain, to any operation against Iran is restraining Blair—clearly, against his will. On Oct. 6, Blair proclaimed that explosive devices being used by insurgents in Iraq were like those used by the Hezbollah, which he linked to Iran. "There is no justification for Iran or any other country interfering in Iraq," Blair said. He is obviously incapable of listening to himself.

'Neo-Con Thought' Is British

Irwin Stelzer, Hudson Institute Senior Fellow and a former director of the American Enterprise Institute, proudly emphasized the long British imperial pedigree of neo-con

doctrine, in his introduction to his 2004 book *The Neocon Reader*, which attempts to make "Neo-Con Thought" coherent. The book is in reality little more than a diatribe against LaRouche's growing political influence in the United States. But on one matter, Stelzer is right: As he wrote in his Introduction, the "doctrine of pre-emption, the perceived need to deal with 'rogue states,' and some other ingredients of Neo-conservatism . . . were espoused by British leaders, including [George] Canning, [Lord] Palmerston, [Winston] Churchill, and [Margaret] Thatcher, long before they were adopted by George W. Bush. . . .

"So, too with domestic policy," Stelzer wrote. "Compassionate conservatism" did not originate with Bush's advisors. "Instead, these ideas originated with Victorian reformers."

Blair's key qualification for being a stalwart of the neo-con operations, is his fixation on "moral purpose"—in addition to his love of bombing people, Stelzer said. "Tony Blair's assertion of the universality of Western ideals, and his will-

Palmerston, Canning, And Tony Blair

Tony Blair, who so loves to babble about "progressive" change and his government's great reforms, is unquestionably the heir to the British imperial hawks, led by Lord Palmerston. Blair's New Labour government has taken the United Kingdom to war more often than any other leadership since World War II.

In December 1998, in a speech on foreign affairs, Blair proclaimed: "My vision for New Labour is to become, as the Liberal Party was in the 19th Century, a broad coalition of those who believe in progress and justice, not a narrow class-based politics, but a Party founded on clear values, whose means of implementation change with the generations."

The Liberal Party was set up by Britain's biggest imperialist, Henry Temple, third Viscount Palmerston, and Lord John Russell, beginning in 1835. Their policies were the model for New Labour—free trade, economic imperialism (globalization), and worldwide military adventures. Britain now has much less power than was wielded by Palmerston, but Blair's policy is to make Britain "pivotal"—trying always to tip the balance, especially between the United States and Europe.

From 1829-65, Palmerston led British imperial machinations against almost every other nation. Although his "forward school" policies were opposed by many in the British establishment, for 35 years, he dominated British imperial policy. In Europe, he deployed "national libera-

tion movements" and wars against the Austrian Empire, Russia, and Prussia. (See "Lord Palmerston's Imperial Zoo," *EIR*, April 15, 1994.) Palmerston presided over crushing the Great Mutiny in India, and orchestrated the Opium Wars against China. He was also an absentee landlord with one of the worst reputations for brutality during the Irish famine. Beyond all this, Palmerston was the enemy of the United States. His government supported the Confederacy in its effort to break away from the United States—but here was defeated by the cooperation of Abraham Lincoln and Tsar Alexander II of Russia.

Gunboat Diplomacy

Palmerston's great weapon was the British Royal Navy. His operations were the first to be dubbed "gunboat diplomacy." This naval power was used to enforce Palmerston's policy of worldwide "extraterritoriality" for Britons: In 1850, Palmerston proclaimed the rule of "*Civis Romanus sum*, every Briton is a citizen of this new Rome."

George Canning, Palmerston's predecessor as Foreign Minister, had focussed his imperial designs especially on South America. He deployed the Royal Navy to the region, in direct combat with John Quincy Adams's Monroe Doctrine, which banned European imperial interference in the Americas, based on the principle of a "community of sovereign nations." Canning said he wanted to make South America "free [from Spain] and English." Canning abhorred what he called the "evils of democracy," but wanted Liberal reforms in Britain and elsewhere, to preserve monarchy, property, and order, from the principles of the American Revolution. Canning saw Britain's prosperity coming from commercial expansion all over the world, including huge investments into South America.

ingness to deploy forces in defense of those ideals, in the face of enormous opposition [in Britain] . . . signal that Britain will stand by America. The same is true of Australia. Perhaps Winston Churchill and Margaret Thatcher were right when they said that it was up to the English-speaking peoples to provide the nucleus of the support for a sensible world order.”

Here again, George Bush’s constant reiteration of how he wants to strike “terr’ists,” falls far behind the most radical “Neo-Con Thought.” In a tour of China, India, and other nations just before the UN Summit, Blair stridently attacked “extremism” as the universal enemy—taking the whole neo-con-launched world conflict beyond war against terrorist strikes, to a wild attempt at universal thought control.

Blair was not the first to spout “values” as the foundation for imperial expansion. In the late 1830s, Arthur Connolly, the British intelligence officer deployed into Central Asia (who first coined the phrase the “Great Game”), proposed the broad expansion of British imperial forces into Eurasia as “a band of Christian heroes entering the remote regions of Central Asia as Champions of Humanity and Pioneers of Civilization,” as reported by the historian Sir John Kay. In attempting to resolve all the problems of Central Asia by playing the “Grand Game” there, Connolly wrote, “we shall play the noble part that the first Christian nation of the world ought to fill.”

Stelzer features Tony Blair among his “Neo-Con Thought” authors and republished Blair’s 1999 speech on the “Doctrine of the International Community,” also a product of new imperialist Cooper. This was Blair’s first big effort to bring the United States into a war he was sponsoring, at that time in the Balkans. The whole neo-con operation is a break from “traditional” conservatism and Cold War “containment,” Stelzer wrote: Neo-cons’ policies of pre-emption and nation-building put them “in the direction of a form of imperialism.” Stelzer also embraced Theodore Roosevelt and Woodrow Wilson, two of the worst British imperial “moles” in U.S. Presidential history.

In addition to Stelzer, neo-con stalwarts William Kristol and Richard Perle have embraced Tony Blair as “one of their own.” In October 2004, both the American Enterprise Institute’s “prince of darkness” Richard Perle, and *Weekly Standard* publisher William Kristol, professed their affinity with Blair on BBC One’s “Panorama” program. Perle said: “Blair’s moral sense is, very much reflected in the thinking of many neo-conservatives. I suppose he’d be horrified to hear that, especially since the term neo-conservative is so abused. But his sense that it was right to liberate Iraq, is the sense of neo-conservatives and was not the view of most foreign offices, including probably his own.”

Kristol told “Panorama”: “Tony Blair does have a fundamental understanding of this. That for justice and liberty to prevail in the world, force sometimes has to be used. It’s very nice to sit around and say, ‘We’re in Europe, and we believe in the rule of law, we believe in the United Nations.’ But Saddam Hussein is there, and he’s a dictator and he has weapons of mass destruction [sic].

“And are you going to do something about it or not? And in so far as Tony Blair’s answer was yes, even if the rest of the UN Security Council doesn’t agree with us, I think Tony Blair is a kind of neo-conservative, despite himself.”

The Empire’s Pre-emptive Strikes

In Stelzer’s book, Tory Member of Parliament and London *Times* resident neo-con Michael Gove asserts total British imperial responsibility for “Neo-Con Thought.” In his article on the “Very British Roots of Neo-conservatism,” Gove wrote: “If Canning, Palmerston, or Churchill were alive today they would recognize their policies being carried on by Paul Wolfowitz, Donald Rumsfeld, and George Bush. Perhaps more importantly, they would see that the principles by which they had guided Britain, were now being enacted by the U.S.”

Gove asserts that “America’s neo-conservatives did not invent pre-emption. Nor reliance on intelligence services. Nor the use of ‘self-preservation’ and the need to ‘rescue the world’ from tyranny as justification for pre-emptive strikes.” This was all done by the British Empire in centuries past.

Gove first cites British Foreign Secretary George Canning’s “audacious pre-emptive strike” against the Danish fleet in August 1807, which prevented the Scandinavian countries from joining Napoleon’s naval blockade against Britain. Canning’s protégé, Viscount Palmerston, proclaimed to the Parliament that it was “to the law of self-preservation that England appeals as a justification for her proceedings.” Almost 150 years later, in July 1940, Winston Churchill ordered a British Navy attack on the Vichy French fleet in port at Mers e-Kebir in Algeria, which destroyed most French naval power. This action showed that Britain was going to continue to fight Nazi Germany, Gove said.

The 2003 pre-emptive strike on Iraq was not a “break with the past,” or any new approach, Gove wrote. The Iraq war “follows a traditional pattern set by British statesmen of the past. Insofar as neo-conservatism is a philosophy for foreign policy, it is one with deep roots in British state thinking and practice.”

Neo-cons part company with “traditional conservative realists,” Gove said, “in their attachment to the maintenance of liberal Enlightenment principles in the conduct of foreign affairs.” Just as Palmerston before them, the neo-cons will use military or other interventions to support “liberal trends,” while traditional conservatives say such interventions lead to overstretch—as so obviously demonstrated now in Iraq—and subversion of state sovereignty. But what Gove hailed as neo-con “morality,” was nothing more than imperial expansion, and assault on almost all the other nations of the world. [See accompanying box on Canning and Palmerston.]

Gove traces his own political pedigree to Winston Churchill, Margaret Thatcher, and U.S. neo-con Ancient Henry (Scoop) Jackson, but moans that in the 1990s, the British Tory Party abandoned Thatcher’s policies. He has found a new hero, however: In October 2004, Gove was quoted saying: “I cannot hold it back any more: I love Tony!”

Science Behind the Killer Earthquake: Why South Asia Must Be Prepared

by Ramtanu Maitra

A devastating earthquake on Oct. 8 flattened most of the western part of the disputed state of Jammu and Kashmir, belonging to Pakistan. The earthquake, which registered 7.6 on the Richter scale, struck during the morning when children were in schools. Thousands of children were killed, wiping out almost the entire next generation in this area. As of now,

officially, the death toll is above 30,000, but due to landslides and roadblocks, many remote villages remain out of reach and incommunicado. It is a certainty that the death toll will turn out to be much higher.

The hard, rocky terrain of Kashmir and northern Pakistan, where the land rises suddenly, will not give up its dead as easily as the sea did following the tsunami that took thousands of lives in south and southeast Asia last December. Inaccessibility, aggravated by the destruction of roads and bridges, lack of resources, and the onset of wet weather, is seriously hampering rescue and relief efforts.

Report From the UN: Earthquake Toll Mounting

Since South Asia was struck by a major earthquake Oct. 8, this disaster area—mainly Pakistan—continues to be the first item at the daily noon briefing at the U.N., and for good reasons. The massive destruction of major towns and entire villages (UNICEF estimates that 140,000 schools have been destroyed), the very difficult mountainous terrain, the approaching winter weather, and the enormous damage to roads, water, and sanitation make this the most difficult disaster to respond to in recent memory, according to a report from the World Health Organization (WHO).

As of Oct. 19, the death toll stood at 40,000, with at least 65,000 injured. Thousands of people in urgent need of medical attention have still not been attended to, and many injured may die or develop disabilities unnecessarily, because of lack of timely treatment. Reports of gangrene and hypothermia continue to grow, and an estimated 50-60% of the population in need have not yet received any food rations. About 350,000 “winterized” tents are required.

Although there are no reports of outbreaks of epidemics as of Oct. 19, the lack of clean drinking water and sanitation facilities is creating major health threats such as diarrhea, typhoid, and other waterborne diseases. In response to this, the WHO has in the last days sent out an appeal for urgent action to provide safe drinking water for the area. —*Leni Rubinstein*

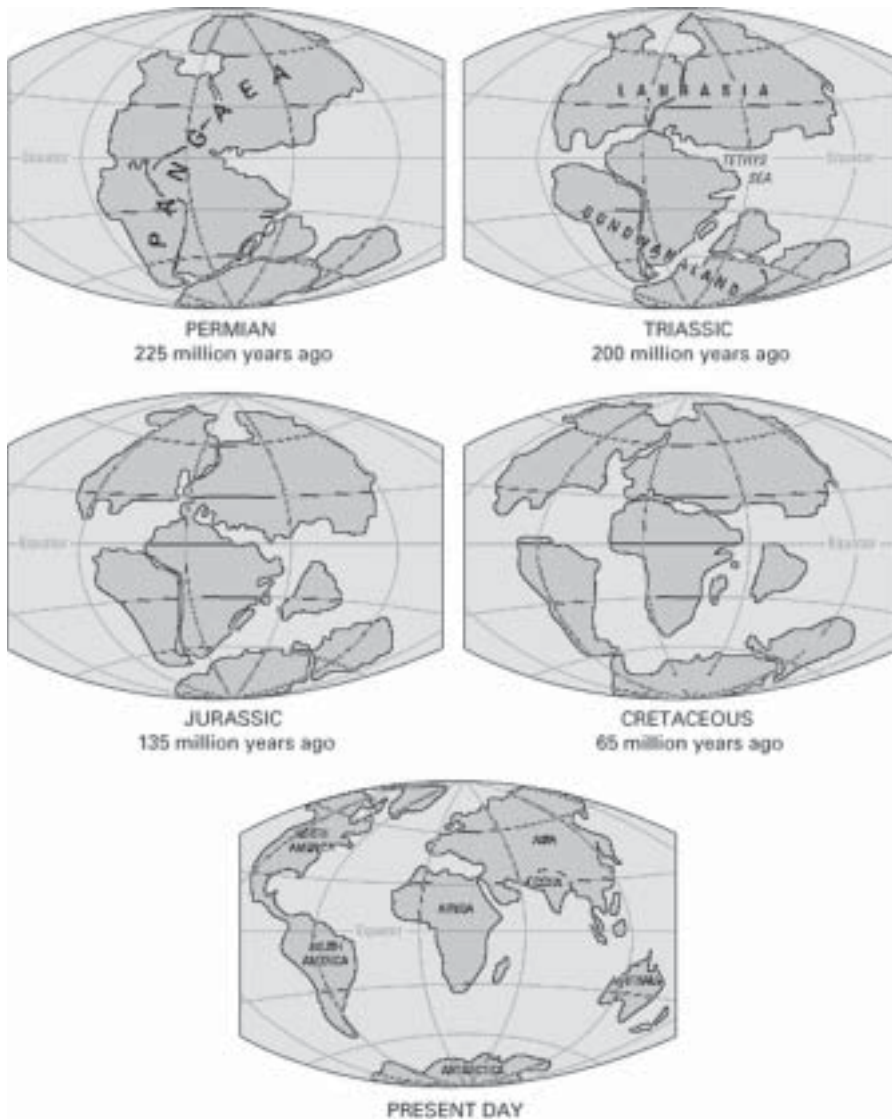
Vulnerable South Asia

South Asia is one of the most earthquake-prone regions in the world. Due to a state of unpreparedness, earthquakes in the region have resulted in a colossal loss of life and property over the decades. A cataclysmic earthquake in India's northeastern state of Assam in 1897, registering 8.1 on the Richter scale, killed several thousand people and caused part of the overlying Shillong Plateau to rise up nearly 50 feet in just three seconds. On April 4, 1905, a powerful earthquake destroyed the district of Kangra in northwest India's state of Himachal Pradesh, killing almost 20,000 people. A massive earthquake again struck the northeastern region of India along the Indo-China border in 1950. One of the strongest in the 20th Century, it measured 8.6 on the Richter scale but left little damage in the sparsely populated area.

The Genesis

About 225 million years ago, India was a large island still situated off the Australian coast, and a vast ocean (called the Tethys Sea) separated India from the Asian continent. When the supercontinent Pangaea broke apart about 200 million years ago, India began to forge northward. By studying the closing of the Tethys Sea, scientists have reconstructed India's northward journey. About 80 million years ago, India was located roughly 6,400 km (4,000 miles) south of the Asian continent, moving northward at a rate of about 30 feet a century. When India rammed into Asia about 40 to 50 million years ago, its northward advance slowed by about half. The collision and associated decrease in the rate of plate move-

Movement of the Earth's Continents



Source: <http://pubs.usgs.gov>.

According to the theory of plate tectonics, the Earth's outermost layer (once forming a single continent), became fragmented into a dozen or more large and small plates that are moving, relative to one another, as they ride atop hotter material beneath the Earth's crust. Stresses build up which are relieved periodically by earthquakes, such as that which devastated Pakistan this month.

ment are interpreted to mark the beginning of the rapid uplift of the Himalayas.

The movement of the Indian subcontinent continues to put enormous pressure on the Asian continent, and Tibet in turn presses on the landmass to the north that is hemming it in. The net effect of plate-tectonics forces acting on this geologically complicated region, is to squeeze parts of Asia

eastward toward the Pacific Ocean. One serious consequence of these processes is a deadly "domino" effect: Tremendous stresses build up within the Earth's crust, which are relieved periodically by earthquakes along the numerous faults that scar the landscape. Some of the world's most destructive earthquakes in history are related to continuing tectonic processes that began some 50 million years ago.

Massive Energy Build-Up

Earthquakes happen when energy stored up along geological faults, like the Himalayan thrust, is suddenly released. The magnitude of the Oct. 8 earthquake is the largest since 1950. Scientists point out, that as more time passes without seismic release, more energy accumulates, making a giant earthquake more likely.

What intrigues some scientists is that earthquakes rattled the Philippines and Indonesia almost at the same time that it had hit Kashmir. The three quakes have three different epicenters, and none of them has a harmonic tremor signifying any volcanic activities. According to some scientists, the earthquakes are caused by plate bending and stress factors on the global tectonic plates. In other words, though these earthquakes have different epicenters and are thousands of miles apart, they are all connected. In fact, the continuous strand of earthquakes from Indonesia has directly moved towards the Himalayan area, which is very dynamic in terms of earthquake activity. Hence, in case of tectonic activities generated along the boundary, it would invariably travel to the Himalayan zone.

While there is no way to predict an earthquake beforehand, there are ways to avoid huge loss of lives. Many informed observers close to the shattered ground in the state of Jammu and Kashmir believe that at least half of the deaths can be attributed to the collapse of houses constructed of inappropriate materials and in violation of planning rules and regulations—where they exist at all.

For a New Atlantic Alliance

At a well-attended event in Berlin on Oct. 21, Schiller Institute founder Helga Zepp-LaRouche issued a "Berlin Appeal to the U.S. Senate," in which she called for the creation of a New Atlantic Alliance based on a return to the policies of Franklin Delano Roosevelt. That call, which was enthusiastically endorsed by those present, succinctly summarizes the world's current conjuncture, and what must be done. We reprint it in full:

"We are currently living through a phase-change in world history, and the fate of humanity depends upon how we react to the challenges which lie before us. The world financial system is facing shocks for which the recent tsunami and hurricane were only the foretaste. The world system doesn't function any more, either in the so-called Third World, as is obvious in the African refugee crisis in the Spanish enclaves Ceuta and Mellila, or in the so-called industrial nations, which are devastated by mass unemployment and plant closings. If now a large part of the American auto sector goes bankrupt, along with the bankruptcy of General Motors and its largest feeder-firm Delphi, and many smaller companies, with it about a third of the American machine-tool capacity, and a million jobs, directly and indirectly, will be lost.

"Thus countless people are in danger of losing their existence, their homes, their health care, and their pensions. The social and political consequences of such a collapse are incalculable. The demand by the management that the workers at Delphi either agree to a de facto reduction of their wages and benefits by 70%, or the company will entirely close down, is outright intimidation, and an unprecedented attack on the living standards of the workforce and their families. The success of this pressure would mean both the smashing of the trade unions and a collapse into barbarism. These measures clearly violate the general welfare clause of the American Constitution.

"We appeal to the American Senate, not to permit the United States to collapse from a superpower to a Third World country. The Senate must declare the stricken industrial capacity a question of national security, put it under receivership, and put into effect the retooling program for the reconstruction of national

infrastructure which has been proposed by the American economist Lyndon LaRouche. Just as the saving of the capacity of the auto industry, so the reconstruction of the hurricane-struck states of the Southern U.S. also demands the immediate revival of the policies of Franklin D. Roosevelt and his New Deal.

"But the crisis, which is affecting the American auto sector, is only a symptom of the international crisis of the world financial system, which finds itself in the last phase of a systemic collapse. Therefore the crisis also demands an international solution. The greatest danger threatening the common good is unemployment, which is so large in the so-called developing countries that you can't even get statistics. But also in the so-called industrial nations it has reached unbearable dimensions, such as in Germany, where de facto there are about 10 million unemployed. We therefore appeal to the U.S. Senate, to put the necessity for a new financial architecture on the agenda, as well as call for an emergency conference for a New Bretton Woods, and, at the same time, and make room for a New Deal policy.

"A New Deal in America would have signal effect for a similar policy in Europe, which urgently needs a New Deal policy in the tradition of the Lautenbach and Woytinsky-Tarnow-Baade plans. A policy like that of FDR and his New Deal and the New Bretton Woods must be the basis for a new Atlantic Alliance, if the world is not going to sink into the chaos of an uncontrolled financial collapse. The injustice of the system of globalization has brought about an unbearable situation. The masses of people in every land are poor, while a relatively small financial elite enriches itself personally, through often criminal and exorbitant ways. With the existential crisis for Delphi there is now a crisis for the American nation as a whole. We appeal to the Senate, to seize this crisis as an opportunity to once again implement the commitment to the common good guaranteed in the U.S. Constitution.

"We should be happy to live in such a moment, when the fate of humanity for many generations will be decided. Such an opportunity comes, in the best of situations, once in a lifetime. We can be sure that history will testify to our honor."

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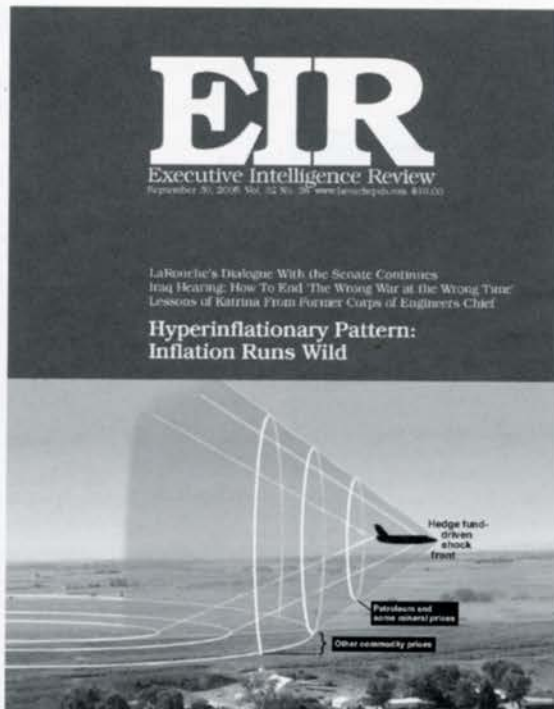
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