

# EIR

Executive Intelligence Review

May 5, 2006 Vol. 33 No. 18

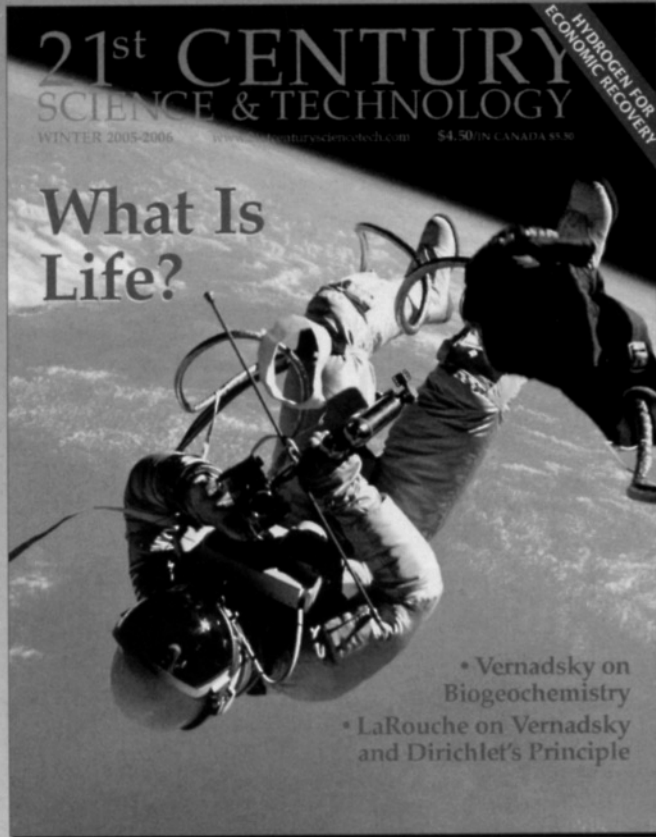
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'Upside-Down Loans' Show End of Housing Bubble  
Cheney's Ouster Is Key to U.S. Survival  
General Zinni Calls for a U.S. Peace-Winning Policy

**'The Greatest Economic  
Crisis in Modern History'**



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by Lyndon H. LaRouche, Jr.

A review prompted by an examination of an English translation of V.I. Vernadsky's paper on biogeochemistry.

#### ▪ On Some Fundamental Problems Of Biogeochemistry

by V.I. Vernadsky

A 1936 commentary on the ongoing work of the Laboratory of Biogeochemistry of the Academy of Sciences of the USSR.

#### ▪ Amplitude Quantization

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The discovery of a new physical principle, argumental oscillations, pokes holes in textbook physics.

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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. (703) 777-9451, or toll-free, 888-EIR-3258. World Wide Web site: <http://www.larouchepub.com> e-mail: [eirms@larouchepub.com](mailto:eirms@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

**T**he “bookends” of this week’s issue are the full transcript of Lyndon LaRouche’s April 27 Washington webcast, and the Editorial that LaRouche completed after that webcast, “How the World Has Changed.”

We have rushed the full webcast transcript into print, because the dialogue was so focussed. There were no questions that were “off topic.” To introduce the package, I simply summarize the questions, so that the reader will be provoked to see how Mr. LaRouche replied.

*From a Washington, D.C. political figure:* It looks like the Bush-Cheney Administration could fall imminently. Doesn’t this present a threat to the very stability of government itself?

*From the U.S. Senate:* What do you think of the idea of having Senate hearings on the charges by retired generals against Defense Secretary Rumsfeld?

I know copper prices are going up, but *what about oil prices?* That’s what really affects Americans.

You’re very critical of Felix Rohatyn! But how is his infrastructure development proposal any different from yours?

*From Congress:* How do you assess the danger of a military strike against Iran, and what should be done about the situation?

*From Washington economic think-tanks:* How do we deal with the Federal deficit?

Why do you think the current commodity price inflation is even more dangerous than the crash of 1987 and what Alan Greenspan did then, with his “wall of money” policy?

How should we address the Japanese moves to set up cheap-labor, union-busting auto plants in Mississippi?

*From labor and political constituency leaders:* Home foreclosures are on the rise! What do we do about it?

Please explain in more detail what constitutional authority the Congress has to regulate money, and what FDR did with the Reconstruction Finance Corp.

What can we do to save the nation’s machine-tool capability?

Why are the Democrats in such complete disarray, even though Bush’s poll numbers are sinking so low?

If we go nuclear, what do we do about nuclear waste?

And finally, *from the LaRouche Youth Movement:* Congress doesn’t seem to want to do what needs to be done. Is it too late to save the country?

*Susan Welsh*

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## Cover This Week

Lyndon H.  
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president Mark  
Sweazy of  
Columbus, Ohio, at  
the Washington  
webcast.



EIRNS/Stuart Lewis

### 4 **LaRouche Webcast: The Greatest Economic Crisis in Modern History**

Addressing a Washington, D.C. webcast on April 27, Lyndon H. LaRouche, Jr. underlined the need to act immediately to head off Weimar-style hyperinflation. Already, the speculators' shift into commodities like copper, petroleum, and gold has begun to create a price curve that looks like that of Weimar Germany in the early months of 1923. LaRouche responded to probing questions from the audience, and from listeners over the Internet, especially on what *exactly* he thinks can be done to prevent a catastrophic collapse of the world economy. Using the precedent of Franklin D. Roosevelt's actions in the last Depression, LaRouche said, it can be done. "We did it before, we can do it again. We were poor then, we're poor now. We got better then; we can do better now. And that's what this is all about."

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Lyndon LaRouche told his webcast audience that if Dick Cheney is not removed soon, it will not be possible to make the kind of changes that are required in economic policymaking, "which are changes that are consistent with what Franklin Roosevelt began to do in early March of 1933, at the time of his inauguration. Unless we go back to Franklin Roosevelt, and do it this year, this nation is not going to make it. We're going to Hell—and we're going to take the rest of the world with us."

Fortunately, there are some signs of renewed momentum to dump the Vice President.

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## Editorial

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## LAROCHE WEBCAST

# The Greatest Economic Crisis in Modern History

*Here are the remarks of Lyndon LaRouche at his webcast on April 27, 2006, in Washington, D.C., sponsored by the LaRouche Political Action Committee. The moderator was Debra Freeman, Mr. LaRouche's national spokeswoman. The webcast can be viewed at [www.larouhepac.com](http://www.larouhepac.com).*

**Debra Freeman:** Good afternoon, ladies and gentlemen. My name is Debra Freeman, and on behalf of the LaRouche Political Action Committee, I'd like to welcome all of you to today's event.

I normally give some introductory remarks. But given the nature of the current situation, I think that most of us recognize that with the issuance of his statement last week, that the world system is on a Weimar collapse curve, the dimensions of the crisis that Mr. LaRouche referred to there, that led to many of the people who are here today, being here, and which also has resulted in an unprecedented number of institutional gatherings around the nation's capital, and in fact, around the world, who want to hear what Mr. LaRouche has to say today.

We are witnessing what is, without question, the acceleration of the greatest financial collapse in modern history. Accompanying that collapse, is also an intensification of a series of strategic crises. I know that Mr. LaRouche is anxious to begin to address some of these questions with you, and I know that the people who are listening are anxious to hear what he has to say. So, ladies and gentlemen, without any further introduction, I'd like to present to you Mr. Lyndon LaRouche.

**Lyndon LaRouche:** Thank you very much. Thank you all.

This nation and the world are now facing, in the weeks and months immediately ahead, the greatest crisis in modern history; a greater crisis than World War II. This does not mean that it's a hopeless situation, it means that it only *seems*

hopeless. There are clear solutions which are obvious to me, partly because I've spent a lifetime, or the greater part of a lifetime, in dealing with precisely these questions, and have an expertise in this matter, which unfortunately most of our people in government, for example, do not have. I can tell you, presently, the U.S. Congress, the Senate in particular, has no comprehension at present of what they're dealing with, or what's about to hit this nation, and what's about to hit them.

*As of today, they don't know what to do!* And if you see what they're doing, lately, you *know*, they don't know what to do. They may have watches, but they don't know what time it is.

So therefore, I shall try to make this clear in terms, as much as possible, that intelligent lay people can understand what I'm about to say. And I shall go through a series of stages, getting nastier, and nastier, and nastier, until we come to the nature of the solution.

Now, first of all, I want to show, as a thematic point which I'll refer to a number of times, this diagram, which is just a schematic representation of what I discussed this past week. The curve, please (**Figure 1**).

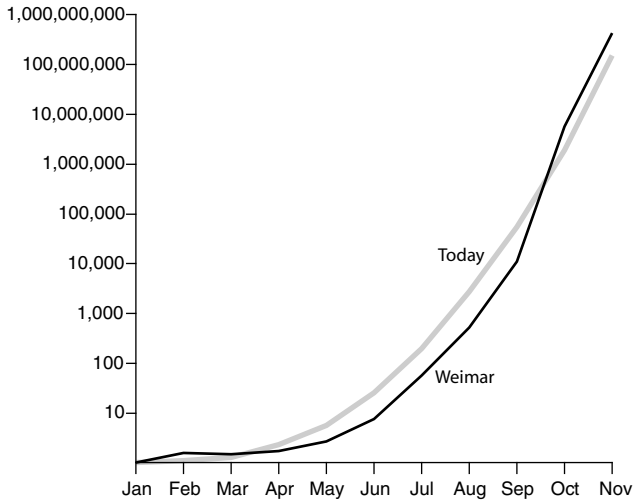
### Like Weimar Germany, 1923

Now, what you're looking at, is a comparison of what is projected, first of all from early January 1923, in Germany, until about the end of the year, November of 1923. And this is looking at specifically, emphatically the part that begins about June of 1923. And it concludes at that part, in the first case, with the total collapse of the German economic *and* monetary system, together, at the end of that year, in 1923. The United States presently, and the world presently, *is on the same rate of change of curve*. It's not the same in terms of identical figures, but it's the same in terms of the general



FIGURE 1

## Hyperinflation: Weimar, 1923 and the World, Today



*A German housewife of the early 1920s lights a fire with worthless currency to cook her breakfast. Today, we're reaching the point where people will be melting down pennies and nickels for the copper in them, which is worth more than the coin itself.*

rate. The rate of collapse of the world economy is increasing geometrically, month by month, such that, by September, unless there's a major change introduced as a matter of policy, particularly by the United States before September, by September, the United States will be in the bucket and we will be finished as a nation for some time to come. And obviously, the members of the Senate, and parts of the Congress, and other parts of the world, are not paying attention to that reality.

I've just identified, that this curve that we're looking at, is a reflection of Leibniz identified as the principle of physical least action, which is tied to the so-called catenary function: That in physical processes, there are certain kinds of processes, which define a characteristic of a system. And this kind of curve, that I've just referred to here, *this means, that the present system is finished! And it's finished this year, unless, dramatic interventions to radically change the situation are made by the U.S. government.* Which means, you've got to get the nerd out of the White House. And Cheney, first.

And Cheney, I understand, could be in deep trouble this week, or next week. It's already in process. There's no chance that this nation would survive, number one, unless we change the composition of the Presidency. Because, this President would *never do what is required.* He hasn't got the brains to do it, and he'd be "agin it"—sort of like the Mortimer Snerd of the White House.

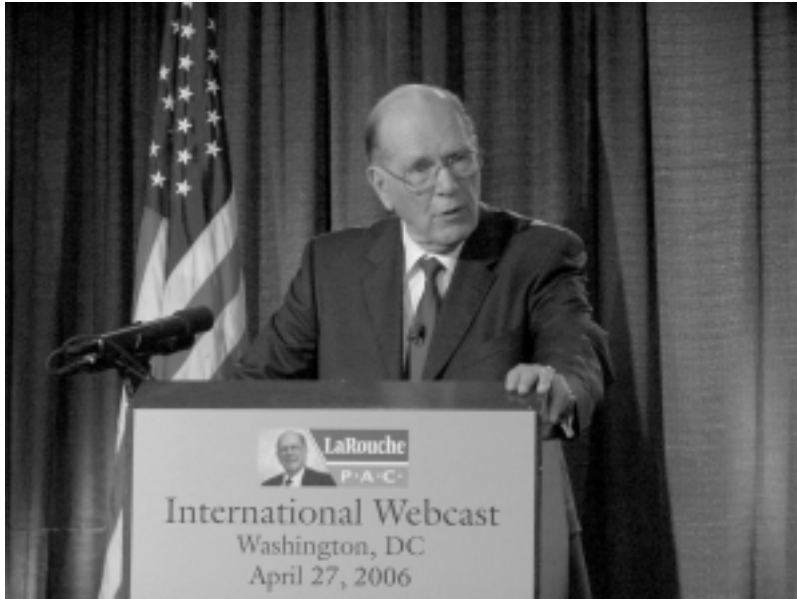
And if Cheney's not out, then, it's not possible to make the kind of changes that are required, which are changes which are *consistent* with what Franklin Roosevelt began to do in early March of 1933, at the time of his inauguration. Unless we go back to Franklin Roosevelt, and do it this year, this nation is not going to make it. We're going to go to Hell—

and we're going to take the rest of the world with us.

There're some people who will tell you, "Well, the United States will fall, and you'll have this group of nations around the euro, around Iran, the Arabian oil countries, they will set up a new currency, and they'll deal with the problem." No! Never happen. That China will deal with it. No. China can't deal with. No part of Asia could deal with this problem. Europe could not deal with this problem.

The only nation which could make the kinds of decisions which would save the world from Hell, is the United States. And in the living memory of some of you, or the recollections from study of others of you, the only precedent for saving this nation and civilization, is the policies taken by Franklin Delano Roosevelt, during his Presidency. That's where we stand. And I can tell you, as you probably know, this Senate is in no mood to do that, right now. They seemed to be getting in the mood to do something during the previous year, but they've lost it since the beginning of this year. They're running in every direction. They're like the cockroaches, when the light's turned on in the kitchen—running in every possible direction except a useful one.

I'll just give you one example before going on to this further: The example of the oil price discussion in the Senate. Now, I don't disrespect these ladies and gentlemen in the Senate, on the question of what they're doing because of the oil price. *But they're wrong, they're dead wrong and what they're doing is worse than useless. This is not a matter of bringing the oil companies into control. That is not the problem. It is not caused by a price manipulation by oil companies. It is caused by the same thing that is running the price of copper up, so people are melting down pennies for the copper!*



EIRNS/Stuart Lewis

*“If I were President of the United States, I’d know exactly what to do,” LaRouche said. “I’m not President of the United States. So, we’ve got to get rid of the one we have, and find somebody else in there, to handle the job. But we have to have a policy for that President to carry out, and which Congress will support and carry out. Under those conditions, we can make it.”*

Because the copper’s worth much more than the penny. And the same thing is going to happen to your other hard coins: The metal in these coins is *worth more* than the currency, to say nothing of the paper of the dollar bill or the ten-dollar bill.

So, we’re at that kind of point. So therefore, money has nothing to do with it. Let’s go through this thing right now, and I’ll come back to this immediately.

## From Harding to Roosevelt to Truman

The history of the United States, and of the world economy, in my lifetime, which began a long time ago—about 83 years ago, nigh on 84 years ago—is the following: I was born during the Harding Administration, and then he was succeeded by Coolidge, who was no damned good, and also Herbert Hoover, who sucked. These fellows who were going along with a certain kind of policy, in conjunction with the British and the French, sent the world into a general depression, by their manipulation. We had a crash in the United States, a stock-market crash. And the U.S. economy, *physical* economy, employment and so forth, all these factors, crashed by *half* between the time of the ’29 crash under Hoover, and the time that in early March of 1933, that Franklin Roosevelt was sworn into office. *By half!* It was a *disaster*. And Roosevelt reversed that. It was a change in policy.

We can divide the history of the United States, modern history, actually from the time that Roosevelt was inaugurated in March of 1933: We had a steady recovery under Roosevelt. It wasn’t easy, but the steps which led to the recovery were

fully in motion. Harry Hopkins’ administration was part of this thing under Roosevelt. But at the same time that Roosevelt came into office, barely a week before, Adolf Hitler had become the dictator of Germany. And everybody in the world who had any sense and was well informed, knew the world was going to a *new world war*. That is, the new world war was made almost certain, before Roosevelt was actually inaugurated as President. When Roosevelt began to organize the recovery, he had to do two things: He had to not only revive the U.S. economy, he had to prepare for a U.S. role in World War II. Our recovery during the 1930s, also was, at the same time, *a war mobilization recovery*. We had to build up the material engines by which to prevent the Nazis from conquering the world; and we knew we were going to be drawn into the war, and we had to prepare.

So, relative miracles were pulled, by pulling people who were ashen-faced, from poverty—men who would have employment, who were suddenly ashen-faced, because, it was not whether they could buy gasoline, they couldn’t get food! And they’d been in

a deep recession, a deep depression, for several years before Roosevelt came into office. And we had to remobilize these people, who were despondent. And we spent most of the 1930s trying to get people back into shape. Roosevelt backed John L. Lewis in what became known as the Congress for Industrial Organization, as a part of this process: To get private operations, as well as public operations, to get the economy moving, knowing we were headed for war.

Now, if you take the discussion in Europe, before Hitler came to power and immediately afterward, everyone in leading positions in Europe knew this; everyone in the United States in leading positions knew it: A war was being prepared. It was also understood, that unless the United States were mobilized to tip the balance, the Nazis would win the war. And we saved the world from a Nazi empire, by Roosevelt’s mobilization, by the mobilization of our people.

We also went into great debt. We had about 17 million people in military service during World War II, but we had a population of over 130 million people. We had about 17 million of the adults, young adults and others, involved in military service. We were not the best soldiers in the world, we were not the best fighting force in the world. But we had tonnage of logistical support, against hundreds of pounds of matériel for the opposition. We crushed the opposition with logistics, with engineering, and with Detroit and with the auto industry, which produced planes and about everything else you can imagine. And it was that crushing power, of U.S. economic power, which we funded by a great debt,





National Archives



Franklin D. Roosevelt Library

President Roosevelt in Wilkes-Barre, Pa., in 1936. At right, Walter Reuther of the autoworkers' union and John L. Lewis of the United Mine Workers. Roosevelt backed Lewis in what became known as the Congress for Industrial Organization, to get the economy moving, knowing we were heading for war.

*During the Great Depression, miracles were achieved, by "pulling people who were ashen-faced, from poverty—men who would have employment, who were suddenly ashen-faced, because, it was not whether they could buy gasoline, they couldn't get food!"*

in order to save the world from Hell. And we did it by Roosevelt's methods.

That's the first phase of our history up to 1945. Then Roosevelt died. And Roosevelt was not buried, before Truman had betrayed him. Now Truman and company could not do as they wanted to, because the entire world depended at that point on the U.S. economy. Europe was a shambles. There was no other part of the world that had a currency worth trading in—only the United States dollar. And Truman betrayed us. He got us into war. Where Roosevelt had planned to organize the United Nations, in order to break up the colonial system, the imperial system; to foster the development of a system of sovereign nation-states on this planet, who would be equal in their sovereignty, if not in their power and size. And the United Nations was supposed to be an agency to assist in the development of what had been formerly colonized countries into full, true citizenship among nations.

Truman turned that around, with Winston Churchill and company. They went out to *repress* the people of Indo-China. They reactivated Japanese troops out of prison camps, gave them back their guns, and got them to occupy Indo-China again, until the British and French could come in and replace them. The Dutch, with British support, committed

mass murder in Indonesia! And similar things went on in most parts of the world. Eventually many nations in Africa and elsewhere were given nominal freedom. But it was never *real freedom*—it was lackeydom. You could get a hand-out if you behave yourself. That kind of "independence." That's what Truman did.

He got us into an unnecessary war with the Soviet Union, and other forces. There was no need for it, we had control of the situation. There was no threat to us. We were the only power on this planet of any importance. We didn't have to do anything, except what Roosevelt planned to do. But we got ourselves into a mess. But Truman had to keep the thing going. So finally, Truman was dumped, because he was such a menace to humanity. And he was replaced by Dwight Eisenhower—a man, who, by the way, I had supported for candidacy for the Democratic nomination in 1947, who had written to me back, and said, it wasn't his time. But he did come back in in the 1950s. He saved us from Trumanism—he didn't save us from everything, but he did prevent us from going into a nuclear war, and he did initiate a number of policies which were very useful to us.

### **1964—When We Began the Plunge Into Hell**

Some good things happened under Kennedy. But that was quickly ended, and so was he. And then, in 1964, we began to plunge to Hell: We began to destroy what had been the continuous progress in the U.S. economy from the time that



Library of Congress

*President Dwight Eisenhower after his inauguration, Jan. 20, 1953. Outgoing President Harry Truman is behind him. Eisenhower saved us from Trumanism, and prevented us from going into a nuclear war.*

Roosevelt took office in 1933, until about the beginning of the Indo-China War, the United States' intervention into Indo-China.

At that point, we began to destroy the U.S. economy. The destruction became official in the first form, with Nixon. Nixon, apart from bringing a fascist government to power in Chile and a few other delicate things like that, took the first step to destroy the international monetary-financial system, on which the strength of the United States and the postwar recovery of nations had been based.

Then, in the second half of that decade, the latter part, we had Brzezinski. Brzezinski with the Trilateral Commission brought in Carter, who didn't know what time it was, made him President and ran the administration for him, largely. And what Brzezinski did, with the Trilateral Commission, was to destroy the entire system of protection, of regulation, upon which the economic recovery of the United States under Roosevelt and afterward had depended. Look at your airlines. Look at the number of airlines, which had been proud, powerful, effective airlines prior to 1981, which quickly went into bankruptcy. Do you remember Pan American? Do you remember Eastern Airlines? What happened to them? What happened to a lot of industries that went under? What happened to the trucking industry? It was turned from an industry into a system of slavery, highway slavery. Hmm? Agriculture began to be destroyed. And if you look at the map of the United States, year by year, county by county, you see a pattern from 1977 on, of a systematic destruction of the physical economy of the United States, county, by county, by county; industry, by industry, by industry.

We are now being destroyed.

And it was the *intention* to destroy us! It was the intention which the British had. We're a unique nation. There's no nation on this planet like us, in our Constitutional form. For example: We do not have a monetary system. We have a credit

system—read the Constitution: The creation of money, in the United States, is regulated by the Congress. The Federal government has a monopoly on the issuance of money. This monopoly is exerted *only* with the agreement, consent of the Congress, specifically, the House of Representatives. This is the way in which we create credit. The proper way to run this system, under our Constitution, is with a *national banking system*. That is, the credit-creating power, and the regulatory power, of the United States government, the Federal government, should be centered in a national banking system, instead of what we have as the Federal Reserve System. That can be remedied: The Federal Reserve System is about to go bankrupt; therefore, if the Federal government takes over the Federal Reserve System in bankruptcy, and manages it, we will then turn that into a national bank, a national

banking system. The national banking system organizes the credit, both on the public account, and in order to manage credit and manage the banking system, the private banking system, so that our system can produce the credit, the long-term credit for *investment* in technological progress, in capital goods, in infrastructure, which we require to increase the productive powers of labor per capita. That was destroyed.

Europe never had that, really. It tried it a few times, particularly under the Bretton Woods system protection. Europe to this day, is a monetary system. There is no such thing as a sovereign government in Europe, in Western Europe, or Central Europe. Each of these governments is subject to a private financial cartel, called "an independent central banking system." The governments of those nations are subject to government *by* independent central banking systems! Typified by the Bank of England: That is, a syndicate of international financial cartels, based on the Venetian model, based on the same thing as the Lombard League, controls the government and the credit of the nation.

Now the typical European, who doesn't understand economics very well, will say the principles of Roosevelt's reform were Keynesian. Actually, Roosevelt defeated Keynes, in the organization of the Bretton Woods system! *Because our system is not based on central banking! Independent central banking. Our Constitutional system, by our Constitution, is the power of the credit, the power of issuance of money, and regulation of money, is a monopoly of the Federal government, conducted by the Executive branch with the consent of the Congress!* Specifically the House of Representatives. Because the House of Representatives is the agency that says whether the United States government can contract debt or not. And if the House of Representatives agrees, and the Federal government requires this, and we wish to rebuild our economy—as today, from the wreckage it is!—and put the system into bankruptcy reorganization because the entire



*Zbigniew Brzezinski, who ran the Carter Administration, destroyed the system of protection in U.S. transportation, by deregulating trucking and just about everything else (including himself). Here he dances at the opening of the musical "Hair," in 1979.*

banking system of the United States, *the private banking system is hopelessly bankrupt, including the Federal Reserve System!* Therefore, the job is, to put it into bankruptcy under government.

## **What Are We Going To Do?**

What are we going to do? We're going to balance the budget? No, we're going to balance the minds, first.

We're going to freeze things, we're going to put things into bankruptcy reorganization. Things that must continue to function, including pensions and things like that, will continue to function, backed by the credit of the United States, the United States government, what it can muster. We will keep these institutions functioning. We will take large categories of this debt which can not be paid, we will freeze it and reorganize it. For example, a certain category of debt, the so-called hedge-fund debt, or financial derivatives debt, is not honest debt. Forget it. It's gambling debt. It has no basis in reality. Freeze it. We'll see what we can do with it later.

But we must keep the industries going and growing! We must develop our agriculture, we must develop infrastructure, we must have productive employment. We want people employed, not to get a paycheck: We want people employed, *with* a paycheck, in order to produce wealth. Because the security for the credit of the U.S. government, when loaned, is the wealth created as a result of investment by that credit. We create water systems, we create transportation systems, we create power systems, we create educational systems. We also provide credit for the development of industry. Those industries which are necessary to us, which are the option to us at that time.

That's what we're going to have to go to, and that is what the Congress is not ready to do. Because the only way you can deal with the kind of crisis we have now, not merely a depression like 1929—this is new. We have to go to these kinds of methods. Methods which are modeled on the precedent which Franklin Roosevelt demonstrated for a crisis *less severe* than we face now, but which would work equally well, under the present circumstances.

And, as you see in the Senate and other parts of the Congress, let alone the White House, you see no sign of any intellectual preparation, or emotional preparation, for voting up the kinds of actions which save this country and its people from being sent to Hell, when it's being threatened by being sent to Hell within the months immediately ahead of us, now.

And this curve I showed you is key to understanding what this means. That's our problem.

The problem is that in the middle of the 1960s, you had a split of a generation which had been born in the postwar period, white-collar versus blue-collar. You had people coming into maturity, that is, into young adulthood at that time, who had been born either at the end of the war, or shortly after that. And they became known as the 68ers: They went crazy, took their pants off and everything else off on the streets, raved around, did all kinds of things, made un-music copiously—all this sort of thing. And they *hated* blue-collar people. The 68er, the secondary feature of the 68er, was the hatred demonstrated against the average working man.

This split the Democratic Party. Because, it meant that the liberal anti-war faction of the 68er was in organic opposition to the vital interest of the guy of the same age-group or slightly older, who was working in the factory producing things, or the farmer. It was anti-labor. It was a yearning for a post-industrial society. It was a yearning to have pleasure and opulence and comfort, and sexual satisfaction, in a society which actually did not produce wealth, but got wealth from abroad from cheap labor.

And we were able, because we had more money, we could get those products, without actually having to work for them! And we made new laws and regulations to destroy the ability to develop our energy potential, to maintain our basic economic infrastructure. Look at the charts which we've projected in various broadcasts and reports—look at the United States, county by county, for physical characteristics of life



EIRNS/Philip Ulanowsky



EIRNS/Linda Ray

*The 68er generation at a 1979 Shad Alliance anti-nuclear demonstration (left) and a 1980 pot parade, both in New York City. The 68ers hated blue-collar people. "This split the Democratic Party, because, it meant that the liberal anti-war faction of the 68er was in organic opposition to the vital interest of the guy of the same age-group or slightly older, who was working in the factory producing things, or the farmer. It was anti-labor. It was a yearning for a post-industrial society."*

in those counties, over this period, from the middle of the 1960s or even earlier, to now. We have become a post-industrial society. We no longer produce what we need.

Whole sections of the country, for example, the area of western New York State, western Pennsylvania, Ohio, Michigan, and Indiana (**Figure 2**). And take one little aspect of this thing—it's not the fundamental one, but it's a good one, to illustrate. Now, most of the people who worked in auto and similar industries in these states, had the habit of having housing. They would invest in a mortgage and buy a house. Now most of these things are still mortgaged, in terms of General Motors, and not only General Motors employees alone; GMAC holds a lot of mortgages. These mortgages are held by auto workers or those in similar kinds of industries, or by retirees living on pensions.

Now, you have right in this area, in the Washington, D.C. area, you have one of the greatest real estate bubbles in history that is about to pop; as a matter of fact, it's beginning to decay. And within a short period of time, you're going to find that this whole area, around the *Washington Post* (it's where you go to die, you know)—this whole area, especially Loudoun County, in Northern Virginia, is going to disintegrate! It already *is* disintegrating. It's doomed! Whole sections of the country, the real estate bubble, on the West Coast, California, whole other areas of the country, are going down.

But now, you've got another: GMAC. They're trying to sell off GMAC and spin it off. Some sharks. But what's going to happen to GMAC? Is that a prize possession? What happens when you start to dis-employ the people in the auto sector and related sectors in the states I mentioned—western New

York, western Pennsylvania, Ohio, Michigan, and Indiana—what happens? These people lose their incomes; their pensions are being taken away. What is going to happen to the mortgages? You're going to have an ignition of a collapse of the entire U.S. financial system, coming out of things, such as these states! You're going to take an area like Northern Virginia, where people have a bigger debt, than the value of the equity of the thing they have debt against in a mortgage! Up to 60% of recent mortgages are of that category in Loudoun County—which is the fastest growing county in terms of real estate speculation in this whole area.

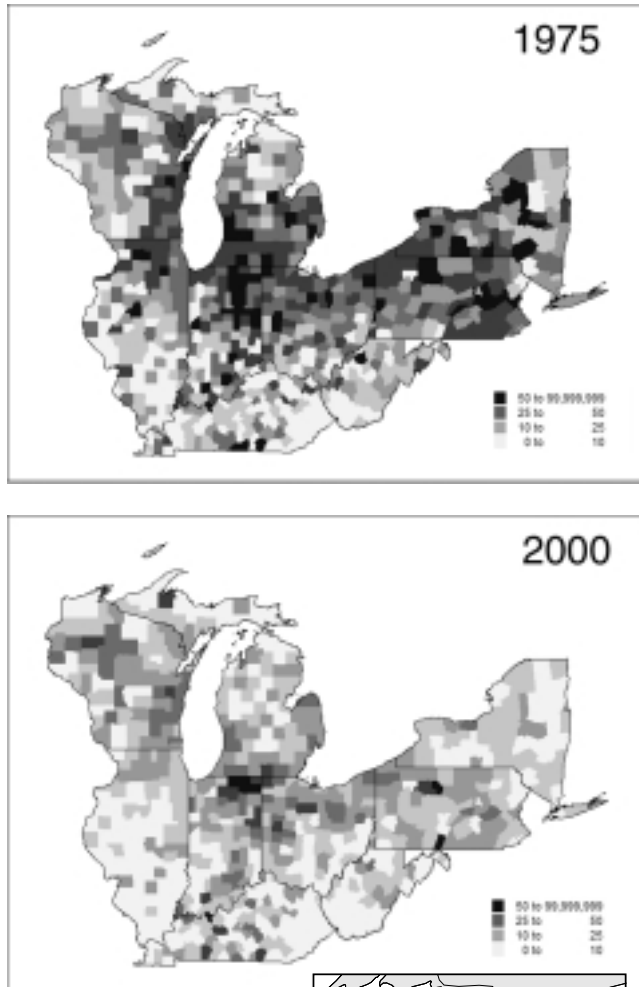
In other words, you're at a point where the whole thing is ready to come down. You look in Europe: There's no country in Western or Central Europe, which is not operating below breakeven, substantially below breakeven. Italy is bankrupt. France is ready to disintegrate. It's sucking on the blood of Germany. And Germany's about to collapse. Maybe it won't collapse, but it's about to collapse. The other countries of Europe are in a similar condition.

China—you say China's a big power? But what does China depend on? China supplies cheap labor for production of products, which are sold—where? In Europe and the United States. India is similar. Other countries of Asia are largely vendors to China or India. What happens if the U.S. market and the European market collapse? What happens to China? What happens to India? What happens to Asia in general? Let alone what happens to Africa.

You're in a world which is about to collapse, as a result of the stupidity, the foolishness, especially since 1964 in the United States, following the Kennedy assassination, which

FIGURE 2

## Decline in Manufacturing Workers As a Percentage of Workforce, by County, Upper Midwest, 1975-2000



Source: Bureau Labor Statistics.



is the marker—'64 to '68—when the direction of U.S. policymaking shifted, when the Democratic Party split, between blue-collar and the so-called 68ers, the street 68ers. That's how Nixon came in. That's how this fascist drive came in, which is dominating the world today.

### We Did This To Ourselves

*We did this to ourselves! We, as a nation, did it to ourselves! We had the power. We were the greatest power on this planet: We wasted that power. We betrayed our heritage. We betrayed the world: Because, we're the only nation on this planet which has a constitutional system which can meet the challenge of this crisis. No European government is capable,*

at present, without our help, of putting its central banking system into receivership in bankruptcy. We're the only system that can do that—unless you want to start a dictatorship, simple rule of fist, and that's not a very good idea. It generally doesn't work out too well, as the French Revolution demonstrates. So, don't do that.

But we are the one nation, we're still the world's leader—and think of one thing about it: What are we? We're the Americas. How did we come into existence as a phenomenon today, the Americas, including the United States? Because people from Europe, finding that the oligarchical corruption which is the characteristic feature of European states, was so powerful in those states, that you could not have a just society in Europe. So, people left Europe, beginning in part, in the 16th Century. And more in the 17th Century. And they moved into various parts of the Americas. People fled from Spain, to get out of the *horror* that Spain was, at that time, to get into the Americas. To find a place in which to take the best of European civilization, to engage with the people who already lived there, particularly the Peruvians and the Mexicans—you had about 2 million Mexicans at that time, indigenous, and they were a key part of the culture. So, you had a Hispanic-indigenous Mexican population; similar thing in Peru. And these people went to the Americas to try to build nations, which would do here, in this hemisphere, what could not be done in Europe, because of the reigning role of the oligarchy.

We, in our country, the same thing. We had some crumb-bums who crept in through our gates, but we also had people like the Massachusetts Bay Colony, and other colonies, which were dedicated to establish on these shores, societies based on the principles, the best principles of European civilization, but free of the curse of the oligarchy.

As a result of the French Revolution and what followed, the wars that followed, we are the only nation with the exception of some things that happened in Mexico and elsewhere later, but we're the only nation, the prime nation on this planet, which represents the tradition of the best of European civilization. We are a truer representative of that, than any country of Europe. Because, we do not like an oligarchy. Do you say, "Oh! You have to respect him, because he's Baron So-and-So; he's Count So-and-So"? You say, "Get that no-count outta here!" Even when we are fools and asses, we know better than to say, "We need barons, and viscounts, and dukes, and whatnot." We don't need an oligarchy. And our idea of having a *free* people, is a people *free* of rule by oligarchy, either by the fist, or by corruption.

And in Europe, of course, the oligarchy, the old oligarchy, simply rules by corruption. It hangs around. It pollutes the atmosphere. It's just an unseemly thing.

But this country of ours was founded by Europe, by Europeans to bring here the best of Europe, to mingle what we represented with the people already living here. And to form nations which would be true nations, representative systems of government, systems dedicated to progress, to improvement of the welfare of people. We're the only nation on this

planet which still has that tradition in an active way, even though it's buried under the Bushes.

If we can reactivate ourselves, if we can recapture what many of us recaptured in the 1930s and 1940s under Roosevelt—when, after a bad period of corruption, the 1920s, we came back to being *ourselves* for a while—we *rebuilt* a ruined nation as the greatest power on this planet, we made possible great improvements in the world situation, continuing into the middle of the 1960s, until we began to ruin it. We still have within us, within our cultural legacy and within our Constitutional institutions, the power, the authority, to do again what we did before.

The problem is, we lost it.

And the only way we're going to get it back, is when a very scared generation—including a generation in the Congress which is about to be terrified by what it's trying to pretend will never happen, but is happening—when they're *shocked*, into realizing that we have to make a change. And they give up saying, “No, you can't stop this. It's inevitable.” You've heard the statement, “It's inevitable—you may be right, but you're not going to stop it, it's now inevitable. It's going to happen. You can't stop globalization. You can't stop this, you can't stop that.” And when you realize that your existence depends upon stopping precisely some of these things, and most of your friends and neighbors find that the price of food is higher than the price of rent—which is about to happen, if we don't deal with that—then they'll get up on their hind legs—if there's someone around, if there are people around who represent a quality of leadership that people will trust.

And what I'm worried about, is trying to get at least some of our Senators and others, to behave in ways in which they will attract that kind of trust from among our people. The way they've been behaving this year so far, does not attract much trust. What they're doing right now, does not attract much trust.

Now, for example: This question of inflation—go back to this image again, of this curve.

Now, what's going on here? The price of copper, the price of gold, the price of zinc, the price of petroleum: Has it got something to do with gouging by oil companies? No! Then why are the Senators making fools of themselves by pretending that that's the case? It's not just petroleum—it's gold, it's zinc, it's iron, it's copper, and so forth. You have armed gangs out raiding junkyards! A phenomenon in the United States, and in Europe. Why? Because of a certain system that's operating, and these members of the Senate, and others, aren't willing to face the reality!

## **How the Financiers Escaped From Their 1987 Crash**

In 1987, I told the boys we were going to have a depression in October, early October 1987, and it happened on time. What did these idiots do? They called in Alan Greenspan, who had been designated as the new appointee for the Federal

Reserve System. And Alan Greenspan said, “Don't do anything, until I get there. I got a plan.” The plan was financial derivatives.

Now, the October 1987 financial collapse, was a classical depression collapse, of the type we had in 1929. In about two days, you had about the depths of 1929, all at once. This was panic. The banks were strapped. The banks had been virtually out of cash, which is how this thing happened, out of assets. What he did: He started printing fake money called “financial derivatives”; he authorized an illegal form of money called financial derivatives. Gambling side-bets. You got a couple a crap shooters, there in the alley—ya know, two guys are shooting against each other, and two guys on the side are betting on how it's going to come out, right? Side-bets, gambling side-bets. Financial derivatives!

Now, what did they do? How did they get the money back into the banking system? Financial derivatives. They had the Federal Reserve System go to Fannie Mae and Freddie Mac, and told these fellows: “Bundle mortgages.” In other words, a bank will take a group of mortgages it has, sort them out, make a collection, make a description of them, and put it in a package. And market this as a financial asset. This is a pack of mortgages. They take it now, and they dump it on Fannie Mae or Freddie Mac.

Now what happens? The Federal Reserve System now comes in and subsidizes Fannie Mae and Freddie Mac's purchase of these bundled mortgages. As a result of that, Now, Fannie Mac, Freddie Mac, take this Federal Reserve money, and dump it into the coffers of the banks!

*Real estate speculation became an integral part of the way in which the banking system was supported.* In other words, you go in and you tell the banks to go out there and get mortgages. “C'mon boys! Go out there and get mortgages. I don't care what you do to do it. You have to take latrines, and you have to put them up, and call them mansions, McMansions or something—get a mortgage on this, quick boys! And get some sucker to sign for it,” which makes it official.

Now, take a bunch of these things at the bank, and you do what you call “bundle” them, you put them together under one little wrapping. And you march this over to Fannie Mae or Freddie Mac, or somebody else's fanny, huh? And now the Federal Reserve comes in, and with this financial derivatives operation which it's working with, it now gets the money back into the banking system, which now engages in this financial derivatives operation, in many kinds of gambling ways—which previously were considered illegal.

So, what we've had, is this kind of speculative system, which is integral to this operation with getting money back into these bankrupt banks, through bundling of Fannie Mae-type and Freddie Mac-type mortgages, this system was going to blow! This is a bubble, this is a classical John Law-style bubble, as John Law from the early 18th Century. You had one in England, you had one in France. South Seas Island bubble, and the Mississippi bubble. Same kind of thing. It's



a ponzi scheme. It's a pyramid club scheme—same kind of thing. But a pyramid club scheme betting on a pyramid club scheme, betting on a pyramid club scheme—off into the stratosphere.

Now, the money is being printed, which is generally registered under the category M3. And notice that you can't find out what M3 is, any more. They officially decided to hide the figure! Because, if the figure were published, it would show you how much money is being printed, printing-press money by the Federal Reserve System, and being pumped into the system now, to bail out and fund these financial interests.

Anyone knows this, who knows the system: When you build up this kind of bubble, a super-John Law bubble, layer upon layer—this thing is going to pop. Then, if you're a smart banker, what're you doing? How are you going to get out of the bubble, which you are going to cause to pop? Why aren't you going to go down with the bubble? You have to find a landing place outside the system. What is that landing place? Gold, silver, iron, zinc, copper, petroleum!

These are physical assets, so-called natural materials, these are assets which will be marketable in the future. So what you do, is, *you corner the market in possession of these materials*. You raise the price to the sky, because you're bidding against each other to grab these materials, and trade them back and forth, day after day. It's all done by this bunch of financiers. That's where you get that curve! So, when you look at the curve of inflation, don't look at the groceries—you will get grocery inflation very rapidly; you're already getting it, as many of you know. It's going to get serious, like housing inflation has been. Hmm? But this inflation, is where the powers of the future intend to be: They will control these assets; they will control the real estate; they will control the water systems; they will control the water. They will control the food. They will own you, and decide which of you lives and which dies.

A landing place.

Now! See what's wrong with the Senate?

*This is not oil companies trying to "gouge the public"—oh, they do that all the time! But, this is nothing new; that part's nothing new. What they're doing that's new, is, they plan to sink the whole world economy, into a breakdown crisis, from which they will emerge, where governments are bankrupt and powerless, and they will emerge as the owners of everything in sight. And their banking systems will come—not the government!—but they will come, and foreclose on you. And there'll be nothing to protect you. That's the game.*

## Felix 'Rotten'

This is what Felix "Rotten" says (otherwise known as Felix Rohatyn), hmm? You call him "Rotten" for short. Now, Felix Rotten is not just an interesting, eccentric character from Vermont. (You do have eccentric characters who inhabit Vermont, but he's not a cow. He's much less useful.)

Rohatyn is a protégé of the people who created the Nazi system. The Nazi system in France was typified by an organization called Banque Worms. Banque Worms was a subsidiary operation of Lazard Frères. And these firms were not shut down when the de-Nazification occurred. They owned it! The Nazis got shot, or other things happened to them, but the people who set them into motion, who owned them, were left untouched! As a matter of fact, they got the assets. Like the whole Göring Werke in Austria—Linz, Austria. That wasn't owned by Göring. Nominally, Göring controlled it. *But!* Who had the paper on Göring? Who had the paper on the Göring Werke? It was Synarchist bankers.

And when Truman came in, they weren't touched. They kept their assets. They remained in power. And they're back at it, again.

Felix himself is tied into a whole group of these characters in France, who are hard-core Synarchists. He himself was trained by Lazard Brothers, which was a U.S. branch of Lazard Frères, the same organization which created the Banque Worms, which was a key part of the Laval-Hitler operation in Europe.

And his policy is—he says it! But fools in the Congress, the Senate in particular, don't pay any attention to that reality. He says it openly! His intention is to shut down government, and put the power over the world, and the world economy, and people, into the hands of giant financial agglomerates, who are more powerful than governments, according to him, and must be more powerful than governments. The people are being turned into serfs. This is a system of a return to serfdom, back to the system of the 10th through 14th Century A.D., that kind of system. *This is your enemy! And he's called a Democrat!* Who needs such Democrats? He's also a Republican, he's interchangeable. He's bisexual.

So, this is the problem: The problem is, that our people, who are supposedly our courageous leaders contending for the Presidency and other appointments in power, are sitting around twiddling their thumbs, playing tiddly-winks essentially, with reality, when the whole system is about to come down.

Now, the key thing comes back to this curve again: What this curve means, is that as long as this system operates under the rules it operates under now, the present laws, the present institutions, and so forth, this system, unless a change is introduced in the meantime, will collapse by September. *This country could be finished by September, unless we do something.* And my job, is to try to educate the educable. There are people in this country and a few other places, who are capable of understanding what I'm talking about: that is, they have the technical competence to be able to understand what I'm talking about.

What we have to do, is two things: We have to rally those people who are well-meaning, and have some understanding of what I'm talking about, to present to their fellows in the Congress and elsewhere, what I'm telling you today. To explain it to them. And also to present to them, the concept of

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## Dialogue With LaRouche

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the alternative. If I were President of the United States, I'd know *exactly* what to do. I'm not President of the United States. So, we've got to get rid of the one we have, and find somebody else to handle the job. But we have to have a policy for that President to carry out, and which Congress will support and carry out.

Under those conditions, we can make it, I know how to make it. We have people who are capable of understanding what has to be done. We can dig out the records of the Roosevelt Administration, particularly the Harry Hopkins operation, in reviving employment in this country. We can save this nation. And if we save this nation, we can rally the world to our support. We can get out of this mess, after learning a very painful and bad lesson. We can do it!

But we have to understand this. And therefore, the key thing is to mobilize as many of our political institutions and others, to a coherent understanding of what must be done, now. Not what must be done as some "idea" to be discussed academically, here or there—but *what we have to do, now! This is war!* Not war with the purpose of killing people, but it's war of institutions: *We must win this war, as a war! We must declare war and win it—now!*

And my job is to help you, and people listening to this, and others, to come together and realize, *we must act.*

*Don't ask* what the Europeans are doing. Ask what they're doing, but don't wait until they say they're willing. *We, the United States, will go ahead, and do what we must do.* And I know, that if we decide to do this, we will have support throughout the Americas. We will have support elsewhere. And Europeans will look to us, and say, "What're you guys doing?" As it gets worse, they'll come to us.

And we will not have a problem in dealing with China on this. We will have maybe disagreements, but we won't have a problem. We won't have a problem with India with this. We won't have a problem with Eurasia, generally, with this—with the oligarchs, yes, the barons, and the dukes, and the other strange species, yes. But, if we take the lead, we're resolute, and show that we mean business; we're not going to quit, we're going to fight this thing until we win, they'll join us. The United States must again provide leadership—not dictatorship, but leadership. *If we are willing to take care of our own house, and propose to other nations and other peoples that we want to cooperate with them, in doing just this, you will have people all over the world coming to us—as they did, when Roosevelt took his role, in getting people rallied, in the hope that we could defeat Hitler. Because that's what it meant at that time. Once Roosevelt acted, and the people saw the United States moving to stop Hitler, then they were encouraged, and they responded—and we stopped Hitler. We finished it.*

Now, we're going to have to do it, again. We did it before, we can do it again. We were poor then, we're poor now. We got better then; we can do better now.

And that's what this is all about.

**Freeman:** I told you we were in for a wild ride.

As I usually do, I will give some precedence to some of the institutional questions that are coming in. As you can imagine, there are a very large number of questions regarding the specific issues that Mr. LaRouche has raised about the global financial situation. There are also, though, several questions, which I'll take first, which deal with the legitimacy of the current Administration.

Lyn, this question, which I had mentioned to you earlier, says:

"Mr. LaRouche, most of us here in Washington, see a situation where the impeachable offenses committed by this Administration are so interlinked between the Office of the President and the Vice President, that there really seems to be no way to separate them. It's also increasingly clear, that Karl Rove, whether he is indicted or not, has become a cooperating witness. In that capacity, particularly given the longstanding animosity between Mr. Rove and the Vice President, Rove is likely to break down the protective barrier that, up to now, has protected Dick Cheney.

"As this occurs, we can expect things to begin to move, very, very quickly. Already, calls for expanding the Special Prosecutor's mandate to cover breaches of law by the President himself are being made public by various officials across the nation. Several state legislators are now entertaining impeachment resolutions, and more and more newspaper editorials are calling for the same.

"One operating fear is that once these floodgates are opened, the very stability of this nation's government could be threatened. What are your thoughts on this? How, in fact, can this be addressed, when it is, indeed, becoming increasingly clear, that the crimes committed by both the President and the Vice President are extremely difficult to ignore?"

### 'You Don't Move History by Revenge'

**LaRouche:** As I've explained to a number of audiences on a number of occasions recently, when you are faced with evidence of *ugly* criminality, or something tantamount to criminality, of the type which this Administration represents, your reaction against the sheer ugliness, and almost Satanic quality of this stuff, makes you angry. And you think that the important thing is to strike out against the evildoer.

I disagree.

You do not move history by revenge. You do not move human beings by revenge. Take the case: How many idiots actually voted for this fool? This idiot in the White House? This infantile drunk, dry drunk? Well, so therefore, your anger is against the people? And there were *a lot* of people who voted for these grubs, or who, in a sense condoned similar kinds of things.

We have been destroyed systematically, since 1968, by

wave upon wave of corruption, of one type or another. Nixon was corruption! The Trilateral Commission was corruption! Do you realize what was done under Carter? The *cruelty* that was done? The permanent *cruelty* to our farmers? The permanent cruelty to our industry? The destruction of our infrastructure, the destruction of our mortgage, the traditional mortgage system? Other kinds of destruction?

Do you realize what was done during the Reagan Administration, at various points? Do you realize the evil that was done by George H.W. Bush? In his Administration? Do you realize the evil of negligence that was done by the Clinton Administration? And the evil now?

What are we going to do, punish everybody? That doesn't work.

What you have to do, the form of leadership, is to give people a clear perspective, as Roosevelt did, to give people a perspective of hope. *Not charm*. Not sweet-talk. But a clear, understandable statement: *What are we going to do, to fix the problem?* What are we going to do, to recognize rights that were not recognized, that should have been recognized? What are we going to do, to give smiles to tear-filled faces? Hmm? It's tear-filled faces, but smiling, because you've offered them a solution.

Now, the problem with the Baby Boomer generation: They don't believe in the future. Sometimes, by accident, they had children. They didn't do it to have children, they did it to have pleasure. Or, because they were bored at the time and didn't have anything else to do. Do you realize what the marriage pattern is among the Baby Boomer generation? (Without even getting into the Tweener question.) What's the mating habits of people born between, you know, 1945 and 1957? What are their mating habits? *Ugh!* Like some reptilian species. Chickens have great affinity for marital fidelity, huh?

So—what are you going to do?

It's like the principle of Christianity: You have a bunch of real sinners out there! I mean, this is not sinners, not a guy who made a sin one time. These guys are really habitual! They do nothing but sin, all day, from morning till night—especially the preachers! The preachers can commit sin with sanctimoniousness; it's a special kind of theological quality.

So, the point is, you have a people who do not have much hope. You have a Baby Boomer generation which doesn't believe in the future; as a matter of fact, they resent their children. "Why did we do that? Why are they bothering us? We want to go out of here quietly. We want to enjoy our last days of life. We have our rights. You stand aside, till we're gone—then you can do what you want to do! The world can go to Hell after we're gone, but we want to go out in comfort. Maybe it takes an illusion or two, to do that, we'll take that, too." They're good at it.

So the problem is, you're dealing with a population which is despondent, it's abused, it has no confidence, it lives in a sophist society; the society is run by sophistry. Nobody believes anybody, to speak of. Nobody trusts anybody. How are

you going to get this population, which is so discouraged, like the Sophists of ancient Greece, in the Age of Pericles through the end of the Peloponnesian War—how are you going to get those people *not* to do what the Greeks did in the Peloponnesian War?

You have to uplift them. You have to state the problem clearly. You have to define a solution. You have to rally them to hope. You have to rally them, as I'm trying to do with the young generation. Look, I'll be 84 in September. What am I looking forward to? What is anybody in my generation looking forward to (who has any brains)? They're looking forward to what a coming generation, especially the generation of young adults, especially between 18 and 25 years of age, today, *what is their future!* Because their future is the tangible future of this nation for the next 50 years. It's the future of everything we have dedicated ourselves to. The hope of realization of everything we've wanted for our nation, and for humanity, lies in the hands of those who are now in that age-group. Therefore, our focal point is not ourselves, not our greed, not our self-absorption. Our focal point is that we are going to die: Our focal point, is what, therefore, are we going to dedicate our life to something *which is worth dying for?* Right? It's for our children. And especially for the young adult children, who think like adults, and who think enough like adults *to pick up the torch*, and continue the mission.

We have to mobilize people not around how *bad* things are. We can not duck how bad things are, how much worse they're about to become. But we must mobilize people about *a clear, honest, and accurate perception of what the better future can be*. Not just for us: Because we can be satisfied, in my generation, if we can *be assured*, that the young adult generation of today *is going to make it*. If our children are going to make it, then the nation will live, and the good that we represent will live on. They're reassured.

So, you don't organize by emphasizing the negatives. You take all the evil facts to one side, and you say, "This is evil, that's evil, this is evil, that's evil. This is stupid." *But!* You don't organize against stupidity. You don't organize against evil. You organize for the Good. And you must have a clear perspective of what we should do with this nation, in this time of crisis, in order to ensure that 50 years from now, when the generation of young adults now comes toward the time of retirement, that they will leave behind them, a better world than we have found today.

**Freeman:** The next question comes from the United States Senate. And it has to do with the situation around Secretary Rumsfeld. It says,

"Mr. LaRouche, the growing discontent with Defense Secretary Rumsfeld, has led to what has been called in the press, a 'generals revolt.' The events are unprecedented, and as I think you know, no less than nine recently retired flag officers have made public statements calling for Rumsfeld's removal. Although this has been widely covered in the press, the press has characterized the conflict as one of personalities,



EIRNS/Stuart Lewis

*“You don’t organize by emphasizing the negatives. . . . You organize for the Good. And you must have a clear perspective of what we should do with this nation, in this time of crisis, in order to ensure that 50 years from now, when the generation of young adults now comes toward the time of retirement, that they will leave behind them a better world that we have found today.” Here, LaRouche Youth Movement members at a Capitol Hill rally, singing “The Union Forever.”*

as opposed to accurately depicting it for what it is, which is a profound policy disagreement that goes to some of the most fundamental questions regarding the role of the U.S. military and to how our nation fights wars.

“Earlier this week, Hillary Clinton wrote a letter to Sen. John Warner, asking that the Senate Armed Services Committee exercise their oversight responsibility, and bring these generals before the committee to tell their story. Her call has already been endorsed by other Senators, both Democrat and Republican, including Sen. John McCain. Senator Warner has indicated a willingness—in fact, an inclination, to entertain the proposal.

“However, it has provoked howls of protest from both the White House and the Secretary’s office. We’ve also now seen a parade of active-duty military officers being sent out to denounce the appropriateness of such hearings, and to denounce the appropriateness of the statements that have been made by their retired colleagues.

“Would you please comment on your overall view of this, and whether or not you think that it is, in fact, appropriate for the Senate to pursue the question?”

**LaRouche:** What the Senate should do, rather than doing a war-dance around the issues, is to tell the truth. Now, what I mean by telling the truth, is the whole truth, not fallacy of composition.

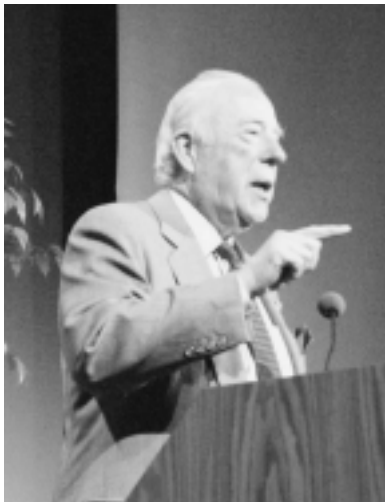
What’s the problem, here? The problem here, is the same problem we faced in the case of the Hitler regime. Where the Hitler regime, in various processes, got the Wehrmacht

[German Army] into fighting Hitler’s wars. The Wehrmacht, belatedly—with some people who were more courageous earlier—but the Wehrmacht belatedly began to resist Hitler’s wars, more and more. Now, at this point, a change occurred in the war system of the Nazi system, which was called the development of the SS, the Waffen SS. Which was an extension of the SS, generally. And the goal of this process, which was never fully realized because the war came to an end, was the International SS, an international Waffen SS, in effect.

This is the policy of the Cheney-Rumsfeld military doctrine. It’s Nazi.

Now, some people say, “You can’t use the word ‘Nazi.’ ” I say the word “Nazi”—if it’s a Nazi, it’s Nazi. It’s got a certain shape of tail, it’s got a certain smell, it’s got certain paws, it snarls in a certain way. Hmm? Bad—terrible breath! And so forth. These are actual Nazis. Now, who is one of the Nazis? Felix Rohatyn. There’s a conference that Felix convened, at Middlebury, Vermont, at the Middlebury College, there, on privatization of the military. This is the same policy that Cheney has had, explicitly, since he was Secretary of Defense under George H.W. Bush.

Now, look at what happened in the interstices of the Iraq War. The attack on Iraq occurred. The military attack was successful in a short period of time. General Garner, who was assigned to this function, received the surrender in a formal proceeding, getting signed statements from people, from military officers and bureaucrats of the former Iraq regime. They would work under the direction of the U.S. occupation force



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*George Shultz: The man behind the “active threat of Nazism.”*



DOD/Staff Sgt. Jerry Morrison, Jr., U.S. Air Force

*The Senate needs to tell the truth about the Cheney-Rumsfeld military doctrine: “It’s Nazi.” Here Secretary of Defense Donald Rumsfeld (right) chats with Paul Bremer, the man George Shultz chose to tear up the reconstruction plans that were proceeding in Iraq under General Garner.*

to rebuild their country, and then we would leave. That’s a standard procedure. It’s the standard procedure we operated on, in large degree in the military in World War II.

When we went into Germany, for example, the local commander was a colonel or someone, who runs into an area; he’s got a village or a group of villages, that surrendered. He’s got a mayor there, somewhere, and the local commander gets out all the officials that he can find, responsables of that area who are still surviving. He gets them together in a meeting, and says, “You will now continue, if you agree, to do the following functions that you were doing before. Because, we’re going to worry about the food, the water, and all these kinds of problems, you’re going to do that. And while the U.S. military is here, we’re going to see to it, you get the backing to do it. You’re now working with us, under occupation rule.”

Now, this is what Garner was doing, essentially. If we had done that, we’d have been out of there within six months to a year. Without a conflict! Without the conflict that happened. What happened, is, George Shultz heard about this, and screamed, “Fire him!” Garner. And he sent out a stooge of Shultz’s, [Paul] Bremer, who went in there and tore up the whole proposal, and set up a strenuous occupation regime, bringing in—ah! Halliburton, and others, *to fund a privately run war*. Now, this included combat operations! *This was a paid, hired Waffen SS!* Run by Rumsfeld, and Cheney.

This is the same kind of operation in terms of structure and law that the Nazis ran in the occupied territories in Europe, under the Waffen SS, when the SS came in like that. We’re doing the same thing. We now have a full-fledged civil war going on in Iraq! The plan is to extend this to Iran, and also to Syria, and to other areas.

So, what the generals are reacting to, is not merely their recollection of what the Hitler problem was, though I’m sure that some of them know this very well, from studying military history. They couldn’t be a flag officer of any competence, without knowing this kind of stuff. And they realize that

you’re dealing with a Nazi-like, Waffen SS-like phenomenon! What do you have? Look at Guantanamo! Look at Abu Ghraib! What is this? This is Nazism! This is not the way the U.S. functioned—*ever* functioned.

And the magic word is, “Kill the ‘tourists.’” George Bush, he keeps coming out and saying, “Kill the ‘tourists.’” And he probably will, too. He’s mean enough.

So, that behind the mask of “be polite,” and so forth about this thing, why not tell the truth. The danger is, and this is not comparable to Europe, not comparable to Hitler in other respects. We’re a different kind of society than Germany was at that time—or Europe was at that time. We don’t have that tendency. But we have some people *among us*, such as George Shultz, his stooge Bremer, his stooge Cheney, and Rumsfeld and so forth, who *do* have that. We have a dry drunk idiot—I don’t know how dry he is—as a President. And he’s just mean enough, I think he has the brains to know what he’s doing, but he’s mean enough to enjoy doing it! And that’s what it is! And that’s the kind of situation we have. So therefore, this has to be treated with understanding.

Now, how we handle it, institutionally, how clear we are on this, is another question. But what our thinking has to be, particularly the people who are behind any effort to correct this problem, has to be *very clear*. We’re dealing with an active threat of Nazism, and Felix Rohatyn is part of the syndrome. Remember: It was Felix Rohatyn who organized the funding to bring a Nazi, Augusto Pinochet, to dictatorial power in Chile. And the Chile regime under Pinochet, with the endorsement of Henry Kissinger and with the backing of Shultz and so forth, conducted what was called Operation Condor, in the Southern Cone region of South America. This was not only a Nazi-style murder operation, it was run by second- and third-generation Nazis, members of Nazi families and Nazi apparatuses—which were moved in through

HALLIBURTON



Library of Congress

*Hitler's SS on the march. Hitler smashed resistance in the Wehrmacht, and brought in the SS as his private army—just as Cheney is doing with Halliburton today.*

Spain, through Mexico and other quarters, down into Chile, and down into Argentina, where they formed the death-squad operations which ran the Southern Cone operation. And then moved up into Central America, to run the death-squad operations in Central America in the 1980s.

So, this is the kind of thing we're dealing with. We have Nazism in this form among us. It's in our institutions. Now, the job is not to call them Nazis, though we may have to do that on certain occasions, and I have to tell the truth, so I have to use the word "Nazi," because there's no other word for it. But what you have with the generals, the generals of conscience, who have grown up (maybe some other generals have not yet *grown up*, who have a different view of the matter!). But any general who has grown up, who is qualified to command at a higher level of command, understands, *this is Nazism, and if this ever starts here, we're not going to have a country any more*. We're going to have a dictatorship. And therefore, the question is, are you willing to prevent a dictatorship from coming?

Oh, you'll oppose it after it comes? C'mon! C'mon! "Go along to get along"—that's going too far.

## The Federal Deficit and Bankruptcy Reorganization

**Freeman:** The next series of statements comes from some of the economic think-tanks that are based here in Washington. The first one is:

"Mr. LaRouche, in your recent statements, you've made the point rather emphatically, that the problems of the U.S. economy did not begin with the Bush Administration. However, the fact is that the Federal deficit has exploded under his

stewardship. Just for clarification, do you disagree with the premise that the size of the Federal deficit is a problem? If you agree that it is a problem, how do you propose that we address it?"

**LaRouche:** Well, it's a problem, but it's a problem that we can deal with. What we have to do essentially, is to go into a form of bankruptcy reorganization, which is a sovereign bankruptcy reorganization; that is, it's a self-bankruptcy by the United States government itself, which is a reorganization of our affairs.

Now, this is necessary not only for us, it's necessary for other countries. Because you're not going to get a solution for this problem—see, when you're dealing with a bankruptcy of this size, what is the answer? Not what's the problem, but what's the answer? Well, we have to grow. We have to grow out of this. And we have to determine what debt is legitimate—that is, was it actually

honestly incurred. If it was, we're going to have to deal with it, in reorganization. But we're going to have to grow, as Roosevelt did. We're going to have to reschedule much of the debt.

But the minute that we do that, as the United States, *if* we do it, we are going to restore confidence, because, what we can then do, with an emergency session with willing governments—and the government of China is waiting for such an offer, along with some other governments—we can set up an agreement to reestablish a fixed-exchange-rate system. If we go back to a Bretton Woods model of system—it would be somewhat different in details, because the circumstances are now different—but if we agree to that, we are going to create a zone of stability in international financing. So, you may have an Area B which is unstable as the devil, but you have Area A, which you're operating in, which is highly stable and operational. And you can postpone some of these problems, as long as you have the confidence of the partners—governments and the people themselves of the United States, the institutions—that you're going to get out of this mess.

Look, the Federal Reserve System is bankrupt! Not just the U.S. government. You've got to say, "The Federal Reserve System is bankrupt." Now, what is the Federal Reserve System? Well, it's a government-chartered operation which actually represents the banks, the component banks, of the banking system. The private banking system. They're all bankrupt! So, who's going to put the U.S. government in bankruptcy? The bankrupts? No, the U.S. government puts them into bankruptcy. We take the Federal Reserve System: We put it into active receivership, we take it over, and it begins to function like a national bank, whose credit depends upon





Franklin D. Roosevelt Library

*Harry Hopkins, who joined the Roosevelt Administration in May 1933, organized a Civil Works Administration that sponsored work projects throughout the nation, repairing and constructing infrastructure, from roads, to schools, to dams. Within 10 days, Hopkins managed to employ 800,000 people, and by 1934, there were 4,263,644 men and women employed. We can do it again, LaRouche said.*

the relationship of the Executive branch with the Congress, especially with the House of Representatives.

We now launch programs, which are largely long-term investments in basic economic infrastructure, and industry, which is going to transform the characteristic employment of the U.S. economy from a make-work, flipping hamburgers and other no-pay work, effectively—we're going to put people to work, as Harry Hopkins did. We're going to build dams, we're going to build water systems, we're going to build hospitals, we're going to rebuild the health-care system, we're going to rebuild power stations, we're going to change the character of every county in the United States back toward a productive economy, from what is now a service-economy county.

That means that we are putting a largely idle or wasted labor force, into productive work. And they may not be too good at it in the beginning! They weren't too good at it when Harry Hopkins started the WPA: But we won a war with that, with what they became! And we'll do the same thing again.

So, therefore, the key thing is that we've got to have a perspective of, yes, this is a bankrupt system. We have to put the system into bankruptcy by act of the Federal government. We have to reach out to other nations, and we'll find immediate agreement with most of the nations of the hemisphere, first of all. We are a nation of the Americas. The Mexicans will be happy to cooperate with us in this; Argentina, very happy to cooperate; other nations to cooperate. We can easily establish—something I worked on back in 1982—we can easily establish a facility, where we take the legitimate debt: We deposit the legitimate debt, in its present form, with an institution, which is a common institution of the Americas. We now use this debt as credit, that is, the fact that this debt, which is debt which is going to be paid, is now a source of

credit when it is deposited with this bank. We now use this banking facility, in order to issue credit for approved loans for infrastructure and so forth, among the nations of the Americas. Or, for anything the nations of the Americas agree is legitimate for this purpose.

So, what we have to do is reorganize the debt around an orientation toward a high-technology increase in productivity, to eliminate *make-work jobs*, and replace them with useful jobs, to upgrade the population, to go from poor skill to high skill. For example: Typical employment in the world today depends upon a very high level of infrastructure in every area. This means quality of schools, hospitals, security, these kinds of things; power, all these things. And some good industries in the area, or agriculture in the area. So therefore, the objective is to shift this economy back, from the wasteland that it's become since 1964-1972—it's become a wasteland, especially since 1981, worse and worse—to shift it back into becoming a productive economy.

Now, what this means effectively: We will be very quickly *doubling the real national income*, not just measured in money, but measured in physical output. We can quickly *double* the national income of the United States. Now, at that point, the ratio of income of the United States, under such reorganization, to debt, now becomes manageable. And if we enter into agreement with other nations outside of the Americas as well, such as China, and so forth, and European nations, there are projects, global projects, which are high gain, which can multiply the productive powers of labor as measured in physical terms over this planet per capita. If we do that, we can then reorganize the debt on the basis of knowing, that we are going to get *this improvement in actual physical income*. And as long as we have an income which is above breakeven, and is increasing, and can absorb debt of

this type, we can reorganize the debt.

So therefore, we're talking about not simply how do we deal with the debt. The size of the debt doesn't frighten me. The inertia of the Congress and others, in their failure to recognize that *this* is the problem, is what frightens me. If I were President of the United States, we wouldn't have a problem. I'd scare everybody, and we'd all do the right thing. But, we're got to get the Congress in a similar state of mind, And, in that case, we can then say—that means that you've got to think in terms of dumping this garbage from the White House, i.e. the President.

### 'The Danger Is Largely Psychological'

**Freeman:** This is another think-tank question:

"Mr. LaRouche, following the 1987 stock market crash, Alan Greenspan's policy was directed at bailing out failing banks that were hit very hard in the October crisis. That policy has been referred to, by you and by many others, as the 'wall of money' policy. This cheap money policy clearly led to unbridled growth of a financial bubble that seems to have now spread to primary materials. Our question to you, is, how did that happen? Why the spread into primary materials, and why do you deem that this phase is more dangerous than the previous one?"

**LaRouche:** The danger is largely psychological. And you have to look at what happened to the mind of the relevant institutions, and the degeneration in popular opinion which allowed this to happen. This was insane from the get-go!

Here's the way it worked. It worked around the 68er phenomenon. As I said earlier, in the primary discussion here, you had a cleavage which occurred around '68, where students on campuses—particularly Ivy League and similar campuses—were the bastions of hating blue-collar workers and farmers, and trade unions generally. What this did, resulted in a split of the Democratic Party, which actually disintegrated in that period, in effect.

So you had the so-called elite, these young people which painted their faces red, white, blue, and green, and whatnot, as a patriotic gesture, hating working people, looking for a post-industrial society. Looking for a so-called ecological utopian society. All kinds of things like this. And this was treated then, as "the inevitable."

Now, the hatefulness, the sheer hatefulness of the Nixon Administration, reinforced that. Remember the various kinds of sexual mass orgies and so forth that occurred in the early 1970s. What you had was a polarization around the so-called Rainbow Coalition.

Now, what happens as the typical working stiff in the United States, the farmer and so forth, over the course of the 1970s, into the 1980s, found himself outside the system. He was pushed outside. He had anger at Nixon, support for Nixon, but anger at Nixon, because he hated the Rainbow Coalition. And you had this degeneration, based on the "green revolution," based on the post-industrial society, based on young people who were being recruited in the Democratic and

Republican Party, from among the people who had painted the streets and thrown bombs in 1968 and things like that. These young people were now being moved in as pacesetters, into the party apparatus at the younger level.

So, more and more, the younger generation of the 68ers, that is, the white collar side of this thing—or actually, the dirty collar side—moving more and more as the pacesetters. And it became more and more inevitable, that these graduates of these leading universities and so forth, who were now completely green, completely utopian, were setting the pace. And they were hateful! And they rose to power. And during the course of the 1970s, you had all the people, generally, who were *competent*, just barely, merely competent, in industry and other functions, were pushed out of government—just by age. You know, they got to the age of 70, 75, they began to be pushed out. And a younger generation came in: That was the characteristic of the 1970s.

So now, the ideology of the 68er became the basis for what is "inevitable." Globalization is inevitable! Globalization will destroy the planet, but they think it's "inevitable." You can't stop it. You've got to go with it, it's inevitable. And so in every case, like the case of Greece. Just take the case of ancient Greece, how it was destroyed, how ancient Athens was destroyed. Athens was a powerful nation, a powerful culture. It represented the leading edge of Greek culture. What happened? Well, the Cult of Apollo at Delphi sent out people to target the leading young people, of the leading families of Attica, and other parts of Greece. They brainwashed them. The result of brainwashing is called Sophism.

You had a similar formation in the United States, in the Truman period and following, called the Congress for Cultural Freedom. It was the Congress of Cults, actually. This Congress for Cultural Freedom, which had many ancillaries to it, destroyed the culture of Europe and the United States. And it did a better job at destroying culture in Western Europe, than Eastern Europe—because the Communists didn't bother to do this kind of thing. Only the West did it.

So we destroyed our young people, who were born say from 1945 on to 1957. We systematically destroyed them! By brainwashing, just the way that the Cult of Apollo corrupted the sons of the leading families of ancient Attica! And it was the generation of Sophistry, by this method, which led the Athens of Pericles into a *brutish war* of oppression against its former allies; and it was the long war, which was almost 30 years, which destroyed Classical Greece forever, in that form. It never recovered.

The same thing was done to the United States and Western Europe in the immediate post-Roosevelt period, by the Congress for Cultural Freedom and similar movements. Young people, from birth, were systematically being brainwashed through their parents, through schools, and so forth, so they became the 68ers. And this especially affected people. If you look back in the 1950s, you will find things like the so-called famous "white-collar study," the famous study on the bureaucracy, these kinds of things. These kinds of studies show

exactly how the families of people born between, say, 1945 and 1957, were brainwashed. This became—especially the college-level entry group—became the hard core of the 68er, and this set this thing into motion, this process by which this became an ideology.

So, what's happened to us is, the hatred against nuclear power, against technological progress in general, against physical science as science, against work, generally—this kind of hatred said, "No." The obvious thing is, we could always get out of a depression Roosevelt's way. All we had to do is pick necessary projects, large-scale projects, and go ahead and do them. Bring in new technologies the way Kennedy did. Remember, Kennedy was the last one to actually initiate a major program, the Kennedy space program, the Moon-landing program, which was a success. This was the last success of the United States, on a large scale. Now, after that, the new generation that came in, said "No!" And by the time we had landed on the Moon, the United States had destroyed a significant part of the technology necessary to get us to the Moon! So the direction was always: Technology is bad, green is good, windmills are better than anything else—Don Quixote was a fink, for attacking windmills.

So, this ideology is what did it. Today, the same thing. We're having a shift now, which I think is quite relevant to the answer to the question, the proper answer: The world is now going back to a commitment to nuclear power. We're going back to nuclear power not merely because petroleum is expensive. We're going back to nuclear power because petroleum is no damn good, as a power source. Petroleum is best used—you use it for power when you don't have anything else available. But petroleum is lousy power, a lousy thing. It's dirty, it stinks, it's awful. It's not good. What it's good for is plastics. It's good for all kinds of things as a raw material, or a stock for all kinds of production. So, we're going through a phase, as we've discussed with our friends in Mexico: Mexico once had a plan for 20 nuclear plants, back in 1982. Mexico will take five years or seven years, estimated, to get back to the level of petroleum production it had in 1982.

*But:* What's going to happen? What we're going to use— if we do that in Mexico—we're going to use some of that petroleum as a fuel, use it as a feedstock for various kinds of things. A long-term commitment is not to rely on petroleum as a source of power—and hot air, wind, that is, is not a substitute either. What we're going to do, is actually go to nuclear power, not only because nuclear power is better, but because nuclear power enables us, chemically, to do things we can't do with any less dense form of power.

See, we're in a period where the natural resources of this planet so-called, are largely mineral and related resources which lie in an area called the Biosphere. What we call the Biosphere is largely a deposit of dead animals and dead plants, which have concentrated certain minerals in this area, which is an area of sedimentation, of by-products of the existence of living processes. We are now tending, with the present population, at the rate of requirements, we're tending to use

up the richest of the most densely concentrated natural resources of these types. Therefore, with more than 6 billion people living on this planet, with the aspirations of the planet, and the people of the planet for progress, we can not rely upon the methods we have used previously, for extracting raw materials from the sedimentary product of the Biosphere.

For example, the atmosphere, the oceans are part of the Biosphere; they are produced by living processes as a by-product. Therefore, we now have to go to a higher-density power source, of which the minimal is nuclear power. And beyond that, we have to develop within a generation thermonuclear fusion power, to get these higher energy-flux density levels of power, where we can actually develop raw materials, and transformations of raw materials, to meet the needs of the planet, without depleting, in net effect, the entire stock of these mineral resources. We can not do this, we can not supply enough water—just water alone. About 20–40% of the water we're using, is fossil water. It's water, that once we draw down, we don't have any more. We have land subsidence. Whole areas of the country, and of the world, become uninhabitable. There's no water, because it was fossil water. Some of it is 2 million years old! Some of it was put down during a glacial period 2 million years ago. And you're using it up?

Well, we can deal with that. There's plenty of water on this planet. It's just not in the right form. With nuclear fission, we can do a lot to deal with that problem, such as the Ogallala Aquifer out in the West, which is a big crisis for us now. And with thermonuclear fusion, we could go to a mass basis, we can transform the desert into a land of plenty. So therefore, we can transform the planet only by using nuclear power.

This will enable us to increase the productive power of labor per capita, to raise the standard of living throughout the planet. This is typical of rational solutions for things which seem very threatening to us if we look at them square in the eye.

But it's the fact that we don't *think* in those terms, that allowed people to be pushed into the alternatives to technological progress, as solutions for these problems. And, that's how we got sucked into this stuff. And if we recognize that this was not a mistake, not a little technical mistake, not a mechanical mistake: We were sucked into believing crap!

### **'But What About the Oil Prices?'**

**Freeman:** I'm going to take a question now that was just submitted as Mr. LaRouche was speaking, from the Democratic Senate Campaign Committee. We still have a lot of think-tank questions, but after Mr. LaRouche answers this question, I'll alternate back and forth, and take some questions from the audience, and mix them in with some of these other questions.

This is a question, a rather agitated one, on the question of the price of oil. The questioner says:

"Mr. LaRouche, I don't disagree that we are witnessing a massive increase in the price of various hard commodities. However, the price of copper, nickel, and the like does not



*The Senate's approach on the rising price of gasoline is "soft," LaRouche said. "What you do is . . . get the Senate together, my style, and stop this pussyfooting around issues. . . . Sometimes you've got to go in and take the problem by the throat." Senate Democrats in 2005 were feistier. From left: Harry Reid (D-Nev.), Charles Schumer (D-N.Y.), Jim Jeffords (I-Vt.), Patty Murray (D-Wash.), and Jon Corzine (D-N.J.).*

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immediately impact the ability of the average American to survive, nor does it impact the ability of the economy to function. The price of oil absolutely does do that. In addition, it is a simple, indisputable fact that the oil companies are reporting unprecedented profits at the expense of the U.S. population. You know as well as I do, that a significant portion of this population simply can not afford to do something as simple as purchase gasoline at \$4 a gallon. Yet, that is exactly where we are headed. If you're saying that we should *not* take measures to force the oil companies to take the hit, what exactly are you proposing?"

**LaRouche:** What's being proposed in the Senate is a soft approach, which won't work. What I propose is something much rougher.

I would take, for example, just as a little tidbit: Remember what President Kennedy did with the steel industry. Remember? Some of you recall what he did? He hit the steel barons in the neck with the power of the U.S. government. You get the Senate together—my style—and stop this pussyfooting around issues, and trying to nibble at issues! Sometimes you've got to go in and take the problem by the throat.

Yes, we should do something about the price of oil. Look, what is the price which Saudi Arabia charges the U.S. for its oil? What does that mean in terms of price at the tank? Yes, it's a gigantic swindle, but if you're not prepared to go in and do some trust-busting, you're not going to solve the problem. You simply have a finding, you have a quick emergency Senate hearing, even if it has to be a rump Senate hearing—because if you get started, nobody's going to dare oppose you,

because the scandal you're going to raise, every Republican is going to be saying, "Yassuh, boss!" Because this issue is so hot, *use it!* Don't take amelioratives. Take it *by the throat!* Take *them* by the throat! *This is a threat to the U.S. security and the general welfare.*

This price is not being earned. What is the price at the pump? What is the price at the wellhead? What is the agreed price that Saudi Arabia charges the United States? Let's look at the primary suppliers, and eliminate the middleman! By proving that he's a swindler!

You could do all kinds of things. You could apply a tax on excessive pricing. George would *love* that! It would make his day. It would send him back to the asylum.

But, there are measures we could take, because here's a threat to U.S. society. A threat to the well-being of our citizens. It is a swindle! The cost of producing petroleum has not risen to that degree! Nowhere near it! Therefore, in between, some swindler has come along, a bagman. Well, that's not allowed. This is an attack on the General Welfare.

But, this would mean that the Senate, for example, would have to say that the General Welfare is a fundamental Constitutional principle of government.

I would say, that what you do, is, you take two things. You take this, and, I would take one other issue, which is also the hottest issue in the public mind: Take the Conyers health bill. Take this measure against the oil predators, the petroleum predators, and the Conyers health bill, and push them through. You would mobilize an *immense constituency from among the American citizenry, because the price of petroleum is*

*driving them wild.* The shortage of petroleum, the threats, driving them wild. They want something done about it! Don't go for the *De minimus* tickle action: A kick in the ass is what's required!

## Greenspan's Bubble Mortgages

**Freeman:** Well, I'm glad we clarified that!

I'm going to take a couple of questions from the people here who have submitted questions. Many of them have travelled quite a distance to participate with us, today. Councilman Warren Turner, from Charlotte, North Carolina.

**Turner:** Thank you. A lot of my question has been answered. But I'm going to try to put this question in a proper perspective: I want to go back to when you were speaking in reference to Greenspan. And I want to talk about, around about 1998, at the time in which this country was facing a depression, and no one wanted to admit it, and none of our current leadership.

And low interest rates were lowered, in order to boost the economy. But today, we are facing foreclosures all over the United States of America. At a time when people had no jobs, we were lowering rates, so people could be a first-time buyer, to buy a home. Those very same people which we used to make banks rich, and other folk that benefitted from this, are now in desperate need, because they have nowhere to live. They're actually in bankruptcy, they have no home.

Could you expand a little more with regards to, what was the process. And why did these people think that that was the necessary way to bring back the economy?

**LaRouche:** Well, you have to go back again to 1987, because what happened is, that Greenspan used bundled mortgages as a way to get banks this paper; and so you take these bundled mortgages from these banks, who are otherwise out of cash, out of liquid assets. Now you liquify this for them, by putting these through Fannie Mae, for example, and having the Federal Reserve System give a subsidy to Fannie Mae, to pay the banks for picking up and buying these mortgages. So that way, you put cash back in the banks. So this has been going on since then.

Now, you've had various other programs that were going on over the period since '87. Because this curve of increase of inflation was building up. For example, we had the Y2K speculation. It was a fraud! There was never a real Y2K problem. But they used the Y2K, as a way of funneling vast amounts of funds through people like Microsoft and so forth, in order to tell firms they had to quickly buy oodles, and oodles, and oodles of new electronic equipment, so that when the numbers ticked, they wouldn't go bankrupt—the computers, hmm?

But what happened in '98, in particular, was, the system was blowing out!—'96 was the turning point. I warned against this in '96, when I published this Triple Curve, as to what the problem was. In '97, you had the blowout in so-called Southeast Asia, which was again the so-called Soros Scandal—or Sore-Ass Scandal. Then in '98, you had the Rus-



EIRNS/Stuart Lewis

*Councilman Warren Turner from Charlotte, N.C., asked about Greenspan's policies in 1998 and how they led to the desperate situation now with foreclosures, unemployment, and bankruptcies.*

sian bond scandal, which was ready to blow the whole system up, and the bailout was tremendous. And they got the bailout through, because they threatened to impeach Clinton. They tried to impeach him, because Clinton made noises, together with Bob Rubin, about restructuring the monetary system, which is what should have been done then. It wasn't done. They went ahead, and they tried to impeach him. And, at that point, Gore was on the wrong side. The Democratic Party was on the wrong side, largely, because they were deserting Clinton. And that's what happened. So we didn't do anything then.

Now, comes 1999. Now, you've got the collapse of the IT bubble; the so-called Information Technology bubble collapses. It collapses in 1999 and 2000. So then, Georgie Porgie Bush comes in, flying into a disaster, and saying "I'm not going to improve anything." And he got it.

And he was only saved by Sept. 11, 2001—as I had warned would be the case. Not 2001 as such, but a terrorist act, like Göring setting fire to the Reichstag, would take a weak President and make him a power. I said that was going to happen. It did happen.

So the system has to be understood from that standpoint. In these cases, the remedy here, again, is General Welfare. We can not have people out of their homes. Now, you're going to have two levels on this. You have to deal with mass evictions, which are summary evictions for non-payment, or other pretexts. Furniture on the sidewalk stuff, hmm? Then you have condominiums, and whole homes which are mortgaged, which go through a mortgage foreclosure proceeding. What has been happening so far is that there's been forbearance on actually issuing the eviction notices that go with the foreclosure. What that means, of course, is that very simply, you get into a situation: Are you going to evict these people, through foreclosure proceedings? If you do, what percentile are you going to evict, when you look at the percentile of people whose obligations on the loans are greater than the



*An anxious investor peruses the collapse of his portfolio on Oct. 20, 1987, after the “Black Friday” crash.*

EIRNS/Philip Ulanowsky

listed equity of the property?

Now, the property values are going to collapse, as the bubble collapses, which means more and more people will be thrown into a point where their equity is less than their obligation. This is going to hit the whole area around the area indicated: western New York, western Pennsylvania, Ohio, Michigan and Indiana, and other places. A sudden surge. It’s going to hit on the West Coast, it’s going to hit on the East Coast. It’s going to hit on New York City.

So, the whole nation is going through this—what are you going to do about it? Well, you’re not going to have people evicted, are you? You’re going to have to go through a reorganization. You have a national crisis reorganization. And therefore, the General Welfare—in our system, the General Welfare prevails. That is, not some sentiment, be nice to people, or kiss your neighbors. That’s not what the General Welfare means. (As a matter of fact, your neighbor may think that’s a threat to his General Welfare.)

But, what you’re going to say is, the principle we have to protect is—the government is for the people. It’s the defense of the people and their posterity. That’s the essential thing. Therefore, we have to examine the causes and nature of the problem, and we have to find a *just solution* for the crisis which was given to us. And the crisis has been given to us by whom? All those damned fools who got us into this mess, over these years.

So let’s not let them get too loud in protesting against the emergency measures we have to take to stabilize it. We are going to have people stay in their homes, period. We do not want mass evictions. We’re going to seek an equitable solution for this problem. We’re not going to have disruption.

And the long-term solution is we’re going to have to increase people’s pay. That means, essentially, not merely raising the pay rates, but upgrading them in terms of quality of employment: education, and things like that.

### **We Need a Bank Reorganization Act**

**Freeman:** I’m going to take another question from the audience here, and then I’m going to return to some of the questions that have been submitted from some of the institutions here in Washington.

I’d like to call to the microphone, Mr. Marty Green from the Grand Rapids UAW. Mr. Green are you here? Okay, then I’ll call on him, when he comes back. And then, I’ll instead take one of these other questions.

“Mr. LaRouche, as I understand it, you’re proposing that the current crisis be addressed with a very hard-nosed lid on credit expansion, and keeping the issuance of new credit tied up in long-term capital investment. Obviously, this would have an immediate effect of gutting the entire hedge fund market. But that gutting could also lead to the collapse of a good portion of American banks.

“The real-estate bubble presents a similar problem. Many Americans have maintained their current lifestyle by refinancing mortgages and taking cash out against grossly over-valued properties. Others have been more conservative, but still have purchased homes, and borrowed, taking out mortgages that are equal to twice or more the real value of their property.

“Putting aside for a moment that more than half of the assets of American banks are mortgage notes, and what this means for them, if we adopt a hard-nosed policy on credit



expansion, how do you address the problem of the ordinary American? Or is it the case, that what you're proposing is one policy for investors, and another policy for the individual American? I think it's very important to expand on this, because in the past, a tight-money policy has just meant universal high interest rates. Obviously, what I'm referring to, is what we experienced under the reign of Paul Volcker. I don't think that's what you're proposing, but I would like you to say a little bit more about this."

**LaRouche:** Yes, fine. What you have to do when you're in a situation like this, you have to reorganize the banks. And you need something like a Bank Reorganization Act, to recognize the generality of this problem. Now, you look at a bank with the eye of a government official. And you look at this bank, and you say, "Is it important to have this bank continue to function in a normal way? If so, then it's going to function, and the Federal government reorganization intervention will provide for that." In other words, the doors will stay open, the normal clientele will continue to be serviced, but certain payments, or demands of payments, will be converted from short-term into long-term, or reorganized. So a Bank Reorganization Act is required.

Now, the credit should come in various forms. There is emergency credit, which is General Welfare credit: You're not going to let a mess sit someplace.

But, the more important thing is, credit for expanded investment in productive employment. The most immediate thing we have available, is the vast shortage of basic economic infrastructure. Over the period since 1971-72, the United States has lost, through depletion and other things, most of its essential basic economic infrastructure. We've lost our rail system. And when you see what's happening with highway traffic—like they had this crazy *Washington Post* thing: people coming from Luray, Virginia, to jobs working at George Mason University—hours to get there! The suburban policy is insane! The sane policy is to move the goods and supplies into local communities, in an efficient way, and let people in their neighborhoods, or in the local community, have access to what they need, rather than having to drive, at today's gasoline prices, long distances to get simple food—let alone clothing (which is generally not worth wearing, anyway. . . .)

So, therefore, we have immediate needs. For example: *fresh water systems*: How many people are getting their water commercially from small bottles in stores. And there's some question about some of that water. Why don't we have safe drinking water in communities, as a community function? We used to. All through the east of the Mississippi, we have a disaster, in terms of water supplies, relative to what we had 40 years ago. The systems are rotted out, depleted. We need it. So, we need mass transit, we need a new policy of operation of decentralizing distribution in an efficient way, so people are not driving 50 miles to get to a bottle of milk, or whatever.

We also have vast power shortages. We're nowhere near the level of power production needed to maintain industry,

and even air conditioners. And so forth. So therefore, we have tremendous needs in the public infrastructure area, either in what government should do as such, or which government should invest in and turn over to a private enterprise to maintain as public utility projects, and things like that. So, we have areas which are necessary to build up the infrastructure of the U.S. economy, an infrastructure which is essential to expand productive industry.

And the orientation is not to have cheap labor. The orientation is, in a world which we're trying to integrate—Eurasia and poor parts of the world with those parts which have not been so poor—we need to, in the areas like the United States and Western Europe, we have to concentrate on high-technology production, capital-intensive production, to produce the high technology which is *needed* in other countries to develop those countries. So, therefore, we want to emphasize the high-technology industries, capital-intensive industries. We should try to encourage as much as possible private entrepreneurship as opposed to corporate ownership. We want to have the entrepreneur. We want to have the ingenious entrepreneur in each community. We don't want so many large corporations, giant corporations controlling everything. That's part of our problem.

So therefore, we should have a policy of credit, forgetting the European type of monetary system. We should have an American credit system, reorganized in the direction of creating, in fact, a national banking system out of the remains of a bankrupt Federal Reserve System. We should then provide cheap credit, on long term, for meritorious work. And then have, of course, the government's function as a resort of the General Welfare, for a certain amount of funding for emergencies, to tide people over in trying to get the transition through.

But there should be no difficulty among specialists in understanding how to do this. I know what specialists know. And what I propose is perfectly feasible. We did it before. We can do it again.

## The Machine Tool Principle

**Freeman:** I understand that Mr. Green has come back into the room. Let me just mention, that today's proceedings, for the first time, are being broadcast inside the Mexican Congress building, where a number of people, including about 20 members of the LaRouche Youth Movement, are gathered. So we'd like to welcome you, officially, to this broadcast.

**Green:** Mr. LaRouche, my name is Marty Green. I'm from Grand Rapids, Michigan. I'm a skilled tradesman there. I represent approximately 700 die makers and machinists there. And within General Motors, there are about five die-building shops with about 1,274 die makers. By July 1, 2006, we're looking at a downsizing of approximately 40%. You've touched on the idea of the machine-tool industry and the plans you have for saving that. I was wondering whether you could highlight some details on that?

**LaRouche:** The problem with our educational system,



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*Marty Green from the Grand Rapids, Mich., UAW, who represents about 700 tool and die makers and machinists, asked LaRouche to elaborate on plans for saving the machine-tool industry. "The typical leaders in the auto industry don't know anything about technology," LaRouche said. "They know about money." He went on to discuss the importance of creative work in advanced machine-tool design.*



ERDA

*In the next 25 years, we have to have a full-scale nuclear program, LaRouche said, including the breeder reactor, and we have to develop an operational thermonuclear fusion program. This fusion power plant design from the 1970s, based on the tokamak concept, is one of many types of fusion that were not funded in the United States, and have languished only as small research projects.*

including our science system, has been that people don't know what creativity is. They talk about it, because they don't know what it is. It's like the guy who married a cigar store dummy. He didn't know what a real wife was. And that's the attitude toward science and technology among the reigning generation in the United States today. As a matter of fact, I'd take the whole General Motors management and I'd fire it, for incompetence. Because we really don't need them. We could easily elect a body to represent the stockholders of General Motors, who know how to run the industry, and they could

run the industry. We probably have got a guy over here who's about to retire: He could do that too, much better than the present General Motors.

Because the typical leaders in the auto industry don't know anything about technology. They know about money. They don't know about technology.

Now, this question of creativity is what's at issue. And very few people today, including economists, have any idea of what the actual meaning, functionally, of the term creativity is. We have in the Youth Movement, as some of the youth know—I believe some of them know—an emphasis on physical science. Well, we emphasize two things: We emphasize physical science, in a certain way, and I indicated that. And we emphasize also Classical choral singing, modelled on Bach.

The reason we emphasize these, is because these are the two areas of practical experience, which correspond to the

creative powers of the mind. If a Bach choral work, for example, is done properly, it forces you to do something which you can not get out of a textbook. It forces you to make a discovery of what really is happening that makes music work, when it works successfully. And therefore, if you know Classical music in that way, then you know everything about art. You may not know the details, but you do know the principle: Because you've applied it, you're familiar with it, it's not a stranger to you. Most people today, who think they know music, don't know anything about music. Especially those we see howling on the television screen, and things like that.

The same thing is true in science. People don't know what physical science is. For example, as we've demonstrated, to the shock of some of our young people who have encountered professors of this and that at Harvard and elsewhere, they don't know what creativity is. They don't know what a universal physical principle is. They don't know! They couldn't pass a

course in the doubling of the cube. They couldn't! Which is one of the most elementary demonstrations of the principle of creativity.

Just to explain what I mean by this: We have a sensory apparatus, and when we're being childish, we believe that what we see, smell, hear, and so forth, is real. When we're not childish, or when we understand science, we know that what we think we see, smell, hear, so forth, is a reflection, a shadow of something that is real. But what is real, we don't actually see. We see the reflection. The human mind, then, is



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*“This question of the machine tool principle, should be the paradigm which we think of in thinking about how do you organize industry for technological and economic progress. . . . When you’re on the machine-tool edge of production, machine tool development, you’re really touching the essence of the next stem in actually advanced scientific discovery.”*

capable of understanding how this thing that is reflected, functions.

Now, one thing that we never see as an object, in an object form, is a principle of the universe, a principle of nature. You can never see a principle of nature. Why? Because it’s universal. How can you see something that is universal? It’s bigger than you are. You’re inside it.

In all creative work, especially in advanced machine-tool design, you’re up against this, where somebody has made a discovery of a physical principle. Now, you want to prove that principle, and prove that it’s really universal and that it’s truly a principle. What do you do? Well, what you do is you look at what you’ve said, what your argument is. You say, “I’ve discovered this principle. This is a principle of the universe. I’ve discovered it. I think I’ve discovered it. Now, let’s test, and see that I can prove or disprove that this is actually a principle of the universe.”

What do you do? Well, you have to construct some kind of an experimental apparatus, which will test precisely that. Now, you’ll never see the principle! It never is an object of the senses. It’s like gravity. You can never see gravity. You can’t taste it, you can’t take it home in your pocket, but it’s universal. It’s throughout the universe. Can you *prove* that it exists? Well, there’s a very simple experiment, designed by Johannes Kepler, after much work in making the discovery, and that discovery *proves* that gravity is universal and exists.

For example, least action. Naive sense-certainty says that time moves uniformly, that light moves uniformly. But least action says it doesn’t, as Fermat proved. The physical principle is universal least action, or quickest action, which is the fundamental basis of all modern physics, this concept of least action. You can’t see it. It’s a universal principle, like gravitation.

The nature of the human being is that no monkey can do this. Nor can George Bush, which qualifies him as a monkey, but not as President. The power, the progress of humanity: If we were monkeys or baboons or gorillas, there could not be more than several million of us ever living on this planet. We now have 6 billion people living on this planet, more than 6 billion. How does that happen? Because we represent an accumulation of discoveries of universal principles, by individual minds, discoveries which have been passed on as practice, from one generation to another.

Now therefore, progress in economy is progress in the increase of the physical power of the human species over nature. How do you do that? Well, you discover new principles, or you bring them into new applications. How do you discover these principles? Well, you construct an apparatus which enables you to test the principle. It’s called a crucial experiment. Now, once you’ve tested it, and proved that it works, now you look at the experiment you’ve just conducted. Hey! We can improve on this experiment, now. Okay. What are you going to do with it? Well, we are going to design and build something now, that we could never have built if we hadn’t made this discovery!

So therefore, it’s the machine-tool sector of capital-intensive development of the productive powers of labor that is the driving force of progress. It’s the driving force of creation of wealth. So, what we want to do: We don’t want people doing repetitive work—simple repetitive work, on and on. and on, as their grandfathers did before them. We want people who are going through the experience, either by doing original discoveries themselves, or reenacting discoveries made by others, and applying them to improve the kind of things we’re able to do for humanity.

And therefore, we want an investment policy, which concentrates on saying: *Is it promoting creativity?* If we absolutely have to have it, do it. But if we have a choice, choose the thing that means capital-intensity in increase in the productive powers of labor, productive powers of man over the universe. And that should be our policy. Exactly that.

And therefore, when you’re on the machine-tool edge of production, machine-tool development, you’re really touching the essence of—the next step is actually advanced scientific discovery. In the old days, you would have a university professor or somebody, who’s working on his experiment. He now has come up with a discovery, an hypothesis, an experimental hypothesis. He comes to you, and he says, “I’ve got to build an apparatus to test the principle.” So, you sit down and you sweat with him—what’s he talking about? You say, “Well, I can build that. I know how to build something that will test that, as you say.” And that’s the cutting edge.

What you want in industry, what you want in general, is that approach to production. That should be the *driver* of production. Always doing something *better*, trying to do something you couldn’t *do* before; looking for some guy who’s got a screwball idea that you can test and prove that it

will work! And that's what's important. That's the way industry should be organized.

For example, in military production, in the immediate post-war period, that was primary. The things we did for World War II, and the things we did after that, were all based on that. Crashing out, breaking out of this—breakthroughs, transformation of a product. You know, when they would wheel off the plane, for example, in those days, they would find they'd drilled so many damned holes in the plane, from going from one set of specs to the next, that the plane couldn't fly any more, because the rate of progress and innovation was that high.

And that's what we need today.

Today, for example, we don't want the gasoline-run automobile. We may have to use them, but what we want is a hydrogen fuel hybrid. And we want that for planes too. And that requires a nuclear plant. It requires an 800-megawatt nuclear high-temperature gas-cooled reactor. Then you can get the hydrogen-based fuels generated there. Now, you're independent of the oil industry.

So, it's in this direction that we have to move. We have to understand—you raised this question of the machine-tool principle: That should be the paradigm which we think of, in thinking about *How do you organize industry for technological and economic progress?*

## The Importance of Regulating Credit

**Freeman:** Representative Clark, you're headed for the exit, but I was about to call you to the microphone. Do you want me to take another question? Senator Clark now, that's right!

**Clark:** I really had a question written down earlier, Mr. LaRouche, but I think you've answered that pretty well. I appreciate you explaining to everyone, because a lot of people don't quite grasp it, the Constitutional authority of Congress to coin and to regulate money. And really, when you look at the Reconstruction Finance Corporation under President Franklin Roosevelt, you really are talking about a National Bank. It's not a very difficult concept.

And when they made the RFC, and I believe that was actually done under the Hoover Administration—and it was used to bail out the banks and the railroads, at the time, and not for the General Welfare—did they also use the French fractional bank reserve method, and create more money, to make more projects occur at that time? Or, is that something we need to be looking at very swiftly?

Here seems to be the problem. In Kentucky, and here, in the United States, is, all of us are very good at trimming the tree, but very few of us are very good at striking the root. And I think this is the root. Thank you very much.

**LaRouche:** Now, this aspect was copied in Germany in the Kreditanstalt für Wiederaufbau [Reconstruction Finance Agency]. It was copied; it was picked up by Hermann Abs, who was the leading banker of Deutsche Bank at that time—much better than the Deutsche Bank bankers they have these



EIRNS/Stuart Lewis

*State Sen. Perry Clark from Kentucky asked LaRouche about the Reconstruction Finance Corporation and credit management.*

days. And it was taken directly from the Roosevelt system, which was the RFC model.

Essentially, to manage credit, we have to be very careful about getting into monkeyshine money printing. What you do, is very simply, is, in the first instance, you make an initial issue of credit, by authority of the Federal government. This may be in the form of a loan, by the Federal government, the Treasury, to a national banking system, to a member bank of the system, a private bank within the system. And under certain rules provided by law, this bank can now issue a loan for some purpose, approved purpose.

Now, what happens is, that you are turning over the capital which has been advanced in the money form, to this user of this money. Now this person who's now paying back into the thing, so now what you're doing is you're developing secondary and tertiary credit, on the basis of the primary loan, which is what they did with the Kreditanstalt für Wiederaufbau. The money was being paid in *pro rata*, by the firms which had been the beneficiaries of the credit extended to them. So, what they were paying back in, became the basis, like interest, for a corresponding issue of new capital against the security at that rate of interest, which is that fractional fraction. Yes, use it. But you have to regulate it. And it has to be a very good system of state and Federal regulation, to make sure that the system is going to be an orderly one.

The main thing is, yes, the principle is sound, but it must be orderly.

## 'Mississippi Is Not Manchukuo'

**Freeman:** Let me also just mention: Since so many of the questions that are coming in, are addressing this question of retooling in the auto industry, today does mark, finally, the release of a 60-minute DVD, produced by LaRouche PAC, on "Retooling the Auto Industry To Rebuild the Nation." This does in fact, include in it, a detailed exposition of Mr.

LaRouche's emergency proposal to the Congress on this question. I would really urge people to pick up a copy of this, not only for your own use, but I think that the more organized showings that we have of this DVD, the more enhanced people's understanding of some of the ideas that Mr. LaRouche is addressing today, will be.

Okay, this is a question that was actually submitted this morning, before you spoke, and it came from one of the economic think-tanks here in Washington.

"Mr. LaRouche, I understand from one of your associates, that you now plan on taking up the banner of those who are protesting the current corporate experiment that Nissan is conducting in Canton, Mississippi. While the situation there is extremely disturbing, it is by no means unique, and we have, over the past six months, documented at least half a dozen such experiments across the South. Our view is that what this actually represents, is a cynical solution to the flight of job overseas.

"The proponents of this argue that, if American workers can be persuaded to work at this wage level, then jobs can be kept at home, and the outsourcing will end. And at the same time, these workers will be put to work at (quote/unquote) 'productive jobs.' This is certainly not our view. But we'd like you to actually address what is going on in Canton, and how you plan on campaigning against it."

**LaRouche:** Well, my first thing is to tell the French and other ownership of Nissan, that Mississippi is not Manchukuo. Japan occupied the Manchurian part of China, in a very brutal way for an extended period of time, and renamed the area "Manchukuo." And this was typical of the Japanese occupation in various parts of Asia, which was very brutal. The Japanese tend to be rather nasty, extremely inhuman, in treating people who they feel are, shall we say, their helpless subjects.

And for Japan, at least a firm which is associated with the name of Japan, to engage in what is happening in Mississippi in particular, but also speckled in other locations around the United States, is something which is not easily forgivable on the part of Japan. And I think that the American citizen who sees a Nissan car, for example, offered to him, should think about that: That this is not a right, just thing for Japan to do to the United States. It would not be a good idea, a prudent idea, for them to take up.

Now, on the question of the location of this operation in the United States: The peculiarity is, the United States, despite all else, has a higher level of culture than is available to investors in other parts of the world, even a poor area, like the poor area where they're concentrating on a largely African-descent population in this particular case.

Remember that before this time, Japan invested significantly in auto-producing plants in the United States, and while the UAW was functioning, and when the Big Three existed, that when the Japanese would set up an industry, they would do everything possible to keep the unions out of those plants. *But!* The way they would combat the unions, is by trying,

appearing at least, to match the benefits, which the UAW had negotiated with its relevant firms.

Now, what's happened in this case, in this particular case, and others, is a move to *break that pattern*. They say, screw them. And what they do is, they go into areas where the population is relatively poor, poverty-stricken. They get concessions, in which all kinds of concessions are made—no taxes, no this, no that—from the local community. In other words, the local government funds the operation. And they use this as a pattern to break the unions. And to break the standards of labor, and welfare, in this country. This includes pensions.

Now, what they're doing is, by the General Welfare principle, is something *we can not tolerate*. But the reason they do that, is not because they're doing something for us. It's because the United States is a better source of skilled labor, than any other part of the world they have available — even poor people who are of African descent in these areas of Mississippi. They have an inherent cultural advantage over the labor force available in other parts of the world. And therefore, the Japanese are very astute to that. They always moved in, the United States, in producing automobiles, because they could produce *better* here, than they could in Japan. Because the culture of production in the United States, is better than Japan. Japan has a very high investment in high-capital intensive machinery, which is how they produce. But the subtleties of production, the American labor force, and the American environment, is much better for production, than Japan itself. As Japan cases show.

So, therefore, they're coming in here, and looting us, because we're here. And they intend to loot us on a large scale, gobbling up the entire auto industry, loot us, with the connivance of the people in the auto industry itself, U.S. auto industry. But at the same time, they're picking up the advantage of labor of a degree of skill and productivity, they can not get in other parts of the world.

So, it's not a benefit to us, that they intend. They come to suck our blood, not to benefit us.

## The Medieval Imperialism of Felix Rohatyn

**Freeman:** This is a question from the Democratic Senate Caucus. It's on the subject of Felix Rohatyn.

"Mr. LaRouche, you have recently made some very harsh statements regarding Felix Rohatyn, and what it is exactly that is behind his infrastructure proposal. Proponents of it argue that all he's actually proposing, is a public-private partnership, that is not all that dissimilar from FDR's Alliance of Producers. I think it's extremely important that you address the difference between your proposal, and his, since many people here simply don't understand what the difference is."

**LaRouche:** Well, Felix has said it. And Felix counts, as he has said himself, on suckers who believe that he is just an innocent guy. Only the suckers believe him. Don't be a sucker. Number one.

What Felix has said, and he's said it publicly, he's said it in my circles, that what his aim is, is this: "The time has come



EIRNS/Dan Sturman

*“Fascists—and I say fascists—like Felix Rohatyn, he’s sort of the Artful Dodger class of the international financial oligarchy, and he doesn’t like me one bit.”*

in which gigantic financial complexes internationally, are more powerful than governments. Therefore, the world should be run by a syndicate of these financial syndicates, not by governments.”

This is a medieval concept. It’s the concept of the ultramontane system. It’s the concept of the Lombard League, which went into the deep crash in Europe in the 14th Century, the so-called New Dark Age. This means the end of the authority of government. This is what is already happening. It’s happening internationally—it’s called globalization.

Globalization is a form of imperialism. It’s specifically an imitation in modern times, of the medieval imperialism of the time it was run by the Norman Crusaders, and the Venetian bankers, typified by the Lombard League. You want that?

Also, the other characteristic of this, interesting enough, was religious hatred. The Crusades were a system of religious hatred. And they died out, because they went bankrupt. But then, they came back again. They came back again in 1492, with the expulsion of the Jews from Spain. And the expulsion of the Jews from Spain by the Grand Inquisitor, which was a process actually which started in 1480, was a process that led to continuous religious warfare, throughout Europe, until 1648, until the Treaty of Westphalia. Europe was ruined by murderous religious warfare beyond belief. And Europe was murdered by the Crusaders, who were nothing but fascist thugs of their own time, who were hired out, like. . . ah! Halliburton. Private armies, hired out by Venetian bankers, to conduct Crusades, to butcher as many people of Islam, and other religions they didn’t like, as they chose—including Christians. That’s what the system is, and that’s what Rohatyn represents.

Also, remember what Rohatyn’s pedigree is. He’s a protégé of Lazard Frères. He’s connected heavily throughout France, to the French Nazi organization associated with Lazard Frères, in the Hitler period. He himself was brought into this through Lazard Brothers, which was the New York branch of Lazard Frères. He is the guy, who financed, arranged the financing, to bring the fascists, the Nazi-like Pinochet, to power in Chile. And the Pinochet who ran genocide, virtually, in South America.

This guy has no humanity. He is the Artful Dodger, on an evil scale, out of Charles Dickens’ *Oliver Twist*. And he’s a very twisted character.

### ‘Go Full Tilt on Nuclear Power’

**Freeman:** We have about half a dozen questions that have come in from both the House, the Senate, and from members of the Youth Movement, on the question of nuclear energy. And what I’m going to ask you is a kind of composite of all of these questions put together.

Basically, what’s being asked is that the principal opposition to the question of nuclear power in the United States, is the question of how to deal with nuclear waste. From the House of Representatives, in particular, the questioner says that it’s his belief that this is less a problem of technology, and more a problem of simple basic trust, but that nevertheless, it does come up as the major opposition to the broad expansion of generating nuclear power as a principal source here. How can you address that?

**LaRouche:** Well, this difficulty is largely mythological. We have the technology to deal with this kind of thing, if you are going to go with a full-spectrum program. If you’re going to go plant by plant, and then pile up the waste, and not process it, then you’re going to have a problem.

Now, remember, you’ve got, out of 100% of the nuclear material put in as fuel, when they reprocess it, 90% or more is automatically simply sent back, as repackaged material. Much of the other material can be converted. It can be converted into various forms. Some of it is required for medical and other applications. And some of it could be dealt with by special methods of spellation, which we know how to develop, but are not yet generally in use.

So, obviously, if we’re going for a full-scale nuclear program of the type required, we’re going to go full tilt, with a full-scale multiple program. Because this will be our primary source of power in every area of the United States.

Now, the problem becomes then, *not* how to we get rid of the waste, but how do we get more of it, in order to reprocess it, and to get more fuel? So, we have to go to a *breeder reactor program*, as part of the spectrum. Because we have to breed more fuel. We have a shortage of fuel—we have to breed more.

Now, we’re looking, at this scale, we’re looking at approximately a period of a quarter-century, a generation. We have to, in this period, by about 25 years from now, we have

to have developed a thermonuclear fusion program, which is operational. This includes many of the raw materials management requirements of the planet, that I referred to earlier. So, therefore, we have a 50-year perspective: Go now, with a full tilt on nuclear power, international tilt. With international cooperation on an integrated effort at developing fuel, nuclear fuel, and its byproduct, and its management. So now, you set up cooperation on all these phases of necessary management. In that case, you don't have a real waste problem, an accumulated waste problem. That's a myth. It only happens if you don't do what you should do.

But we have to at the same time, go with a crash program on development of thermonuclear fusion. Thermonuclear fusion is *key to management of the so-called raw materials problems of the planet*, such as water problems on a mass scale; also, organizing the mineral resources of the planet for human needs; and for, actually for balancing out the ecology of the planet as a whole.

So, that's our necessary program. Every day we don't do this, we're putting humanity in danger. The great danger, from nuclear power, is not using it.

## Why the Democrats Are So Nervous

**Freeman:** We have a question that has come in via e-mail by one of the leaders of Democracy Now! on the West Coast. He says:

"Mr. LaRouche, immediately after the election, beginning with the actions of California Sen. Barbara Boxer, it really did look as if Democrats were in a fighting mood. In that state of mind, we successfully held back the privatization of Social Security, as well as other initiatives that the Bush Administration was pursuing. However, something seems to have happened. And right now, despite the fact that George Bush has the lowest approval rating of any President that I can recall—including Richard Nixon—it does in fact appear that the Democrats are in complete disarray. What happened? And how do we address it?"

**LaRouche:** Well, you notice that the popularity of George Bush, as reported, has fallen below the level of clinically insane people. It's a complement to the mortgage problem here.

No, this is obviously what I've been concerned about. I saw them fall apart. And it was obvious that there was a countermove, and Felix Rohatyn was a very significant part of it. And you have openly, out against me, Felix Rohatyn, [Warren] Rudman, and Sen. Chris Dodd—and people like that. So that, they're openly against it, and the problem that came up is, the management of the Democratic National Committee.

The Democratic National Committee suddenly found itself out of money at the beginning of the year. They should have had \$30 million and it was down to \$4 million, or something like that. Because the present—"official" of the Democratic Party, the former candidate, goofed—but good.

So now, the Democrats are suddenly scattering, and scared about money. And this is one of the complications. All kinds of pressure was put on. Pressure from Cheney, *tremendous* pressure from Cheney and company, and his friends. Tremendous pressure from all kinds of channels. They're afraid of me. It's that simple. And everybody in the Senate, who knows anything, knows that they're very upset about me. They're afraid of me. Not them, but they're afraid of the people who don't like me.

Look, I've done a number of things in my history. I've always been pro-Roosevelt, in the entire post-war period. I came back from the war, from military service abroad, in 1946, in the spring of '46, and I came back to the different country than I had left. A ruined country under Truman. And for a while I hoped that the Democratic Party would have Dwight Eisenhower as a Presidential candidate, to get that bum Truman out of there. And Eisenhower didn't think he was in a position to do that, and he wrote me to that effect.

So, it got worse. And then Trumanism became worse and worse. Trumanism was practically fascism. Everything about him really stunk. He went as far as he could to create a police state. But then, what Eisenhower later referred to as the "military-industrial complex," was defeated on a couple of counts. It was defeated because the war in Korea was a fiasco, and it couldn't continue. It was a fiasco also, because the Soviet Union had developed operational nuclear weapons much earlier than Bertrand Russell, and the Truman Administration, had planned. Because the plan had been, for a pre-emptive nuclear attack, on the Soviet Union, which it was believed, at that time, did not have nuclear weapons, and would not have them. So that by the time the United States was actually producing a production line, a series line, of nuclear missiles, the Soviet Union was somewhat ahead of us technologically.

Then, at the beginning of the 1950s, the Soviet Union was the first to develop an operational prototype of a thermonuclear warhead, which meant that Truman's plans for pre-emptive nuclear war, went off the table. And we went through a long process, over the course of the 1950s into the beginning of the 1960s, where we went to this new system of Mutual and Assured Destruction, of this Strategic Arms Limitation approach.

So, in this period, I fought against Truman. I fought against McCarthy. I was prominent in some areas on this. Then, the FBI tried to get me to run an operation for them, which I refused to run, in 1957, and they did everything possible to screw up my life, my marriage, and everything else, as a result of that. And this came out of a very dirty part of the U.S. intelligence services which is called the internal security apparatus, associated with the Justice Department.

And then in 1971, when the bubble blew on the IMF, with Nixon, and I contested the issue, the policy, at that time, then I was considered an effective advocate against the policies of this crowd, and they've done everything possible since then, to try to destroy me. Then I exposed what the plans of Brzezinski



ski were, for nuclear showdown with the Soviet Union, in 1976, and that screwed that up, and I was not liked for that. Brzezinski wanted me dead.

And then Reagan adopted my proposal for a negotiation with the Soviet Union, for what became known as the SDI. And that almost succeeded. And for that, the order was immediately, in 1983, “kill him!” No less. It was actually that, literally. And I and my associates went through an operation, from the end of 1983, through the early 1990s, a continuing operation, until Clinton became President. And then the operation tailed off. But up until Clinton was elected President, they were out to kill me, and they only didn’t kill me, because some people inside the institutions said, don’t do it. They would be very unhappy if I were killed.

So, I was imprisoned instead of being killed. If I hadn’t been imprisoned, they said, I would have been killed.

And again, these guys are deadly afraid of me, because I’ve been very effective, in a lot of operations. And I’m a big thorn in their side. And I fight when other people don’t fight. And this makes some people very unhappy. And fascists—and I say “fascists,” like Felix Rohatyn, he’s sort of the Artful Dodger class of the international Nazi oligarchy, and he doesn’t like me one bit. And so forth.

So, you have people in the Democratic Party, in the Senate and elsewhere, who tend to be a little bit on the coquettish side. And when they sense there’s trouble, and it might damage their Presidential and other ambitions, they tend to get very, very nervous.

## Provide a ‘Beacon of Leadership’

**Freeman:** This is a question from the House of Representatives, but it also reflects questions that have come in from some foreign journalists and others.

“Mr. LaRouche, as you’ve repeatedly stated, the drive for a military attack against Iran, has less to do with their nuclear energy program, and more to do with the overall war policy of this Administration. Right now, rumors are circulating on Capitol Hill that a military attack on Iran will result in a large number of resignations of high-ranking military officers. With all of that said, however, it seems that the potential for a military move against Iran, is not only real, but that in fact, it is growing. It seems that a new war, or a major terrorist incident on U.S. soil, may be the only thing that can save Bush’s Presidency. Would you be so kind as to assess the danger, and to also address what you think can be done to prevent it?”

**LaRouche:** Well, the idea that the people behind Cheney and what he represents, could actually succeed in their goals, is nonsense. For example, if you study, as I have and others have, the history of military affairs, since, in modern times, you would have to say that the Nazis of our time, such as the backers of Cheney, and the associates of Rohatyn, are the most incompetent goons ever manufactured. What goes with this is, remember, the leading generation internationally, in

running these kinds of operation, which Cheney and so forth are part of, these people are what age group? They’re the age group—Cheney was slightly older. He was born, probably born in about the middle of the 1940s, but essentially, he’s otherwise a Baby Boomer. The people who are running these, are generally of that generation.

Remember what they are. They are people—most of them fit in the 68er category—that is, the campus 68ers. These are the freaks. They don’t believe in science, they don’t believe in rationality, they believe in emotional impulses. You compare them with the Nazis, and you look at the Nazi machine in detail, and some of the other military machines in detail—that was a very serious operation, which had the capability *but* for the United States, it would have ruled the world. For how long, we don’t know, but it would have ruled the world. It was an efficient machine, with a very careful and competently planned, military plan of operations. And it would have succeeded, except for the United States.

This bunch of clowns! Yes, they’re thugs. They’re like that famous mafia gang in Brooklyn, the gang that was called the “gang that couldn’t shoot straight,” which ran a mafia war in Brooklyn, some years ago. These guys are incompetent. They couldn’t run anything successfully.

The problem here is not the danger that they will *succeed*. Because if they *succeed*, they will fail, and take the world down with them. So, therefore, these people must not be *allowed* to be anywhere near power. They’re perfectly capable, by quality, of launching an attack, an aerial attack, on Iran; and their capabilities of launching a very serious kind of attack exist. But the sequelae will be: The world will blow up. The world will just blow up. There’s no way you can have civilization if they start that attack; that road leads downward to a pit, nowhere.

So, they can’t succeed! So, what’s the problem? The problem is *not* how ugly they are. The problem is how gutless we are. We could stop them. If the American people did not want this show, we could stop them. If we had more guts in the Congress, we could stop them. They can be stopped! But you have to talk the way I talk about these things. Not [simpering voice], “Well, he’s slightly mistaken, misguided, unfortunate child-rearing, you know. Doesn’t know who his real mother was. Don’t say he’s a Nazi. Misguided, a little disturbed, a little disoriented.”

If you talk like that—if you say, “you can’t call Rohatyn a fascist”—I mean, what kind of a boob are you, that you can’t call Rohatyn a fascist?

Now, what do you have to do?

We have to, in a sense, which is what I concentrate on, we have to provide a beacon of leadership—when you don’t *have* any beacon of leadership, otherwise, in the United States. That’s our problem. *We don’t have any public leaders!* We have people who like to call themselves leaders, who like to pretend to be leaders. *But they don’t have the command capability to win a war!* If you’re fighting an enemy, a mortal



EIRNS/Stuart Lewis

*The hope of realization of everything we've wanted for our nation and for humanity, said LaRouche, lies in the hands of the generation of young adults, especially between 18 and 25 years of age today. Here, the webcast audience.*

enemy of civilization, you're fighting a war! You've got to have the temperament to go at that as a war, and win that war! That doesn't mean you're going to *kill* people. I means you're going to *stop that operation!*

And you're going to *mobilize* people to do that. How do you mobilize people? Well, first of all, the first thing you have to do, to mobilize people for a serious effort, is, you've got to have some *guts* yourself. And the problem is, our Baby Boomer generation doesn't have guts! Not the kind of guts that is required for this kind of operation. It's not a matter of going out and killing somebody or mashing somebody—it's just plain guts. And they don't have guts. They may have guts on one thing, they may want to fight this, and do this or do that; maybe they'll shoot the neighbor next door. But they won't have the guts to face this kind of problem, and the intellectual challenge it represents.

The problem is, they're deeply inbred in the corruption of sophistry. And they'll say, "Well"—. They'll say to me, "You're right, but they're not ready to listen to you yet."

You mean they're not ready to live yet? They want to die? They're not ready to stay alive? They want to watch their children go into the concentration camp? And do nothing about it, because they're not "ready" to act?

We're now in a situation, as I described it today, we're in a situation where, in a matter of months, the entire world order, as we have known it, is in danger of collapse. There *are* remedies, to prevent that collapse. But no one, yet, has been willing to take up the cudgel that I wave—and actually do it! And that's why I do what I do. Because nobody else is doing it.

## Is It Too Late?

**Freeman:** This is a question from one of the LYM members. He says, "Lyn, there isn't any question that there's a big change in the degree of interest that we find here in Washington, especially on Capitol Hill. People have loads of questions, and want to talk about everything from Kesha's campaign for chairman of the Democratic Party in Texas, to the housing blowout, to the war. Even so, if you asked me if somebody was prepared to actually *do* something, I'd have to say no." (I'd have to agree.)

"But it's a scary situation, because from what you've been saying, especially the last few weeks, we don't seem to have a whole lot of time. I think if there were more of us, we'd have a better chance, because people are definitely open. But I guess my question is that, if it actually comes to the point of a full-scale blowout, and no one has done anything yet, at that moment, is it too late, or can we still save the nation?"

**LaRouche:** Well, I don't think it's too late—there are not simple guidelines like that. As long as people are willing to fight, and have the right ideas about what to do, and have cultivated an approach to the population more generally, people don't like to die. They especially don't like to die a futile death. I mean, to die for a good cause, or in the hope that the cause will survive, is one thing. But, to die for *nothing*, stinks. And therefore, as long as we're in there fighting, as far as I'm concerned, I'll continue to fight. And I'll be there. And I just hope some other people are there, too.

*The webcast concluded with the LYM singing a canon on "Felix the Nazi."*

## ‘Upside-Down Loans’ Show End Of Greenspan’s Housing Bubble

by Richard Freeman

In its last two issues, *EIR* has reported the characteristics of the U.S. housing/real estate bubble’s collapse in two economically very different areas: the industrial layoff-ridden upper Midwest states; and the so-called “golden housing market” of the Washington, D.C. suburbs’ star performer, Loudoun County, Virginia. The series will explore the method by which Greenspan enlarged the housing bubble, through the use of mortgage-backed securities. Here we turn to the “red die marker” of the fact that a national collapse is under way, the epidemic negative-equity situation known colloquially as “upside-down mortgage loans.”

Upon becoming Federal Reserve Board chairman in 1987, Alan Greenspan used mortgage-backed securities churned out by Fannie Mae and Freddie Mac, to monetize paper held by the commercial banks. He blew the real-estate bubble ever bigger, to pump out mortgage-backed securities, pump up M3 money supply, and pour money into the banks. The banks, in turn, took the cash through cycles of investment, through intervening layers of bubbles, including the notorious “Y2K” bubble of information technology and dot-com stocks—and ultimately into the primary commodities markets, igniting a hyperinflation.

The ongoing crash of the U.S. housing bubble, will bring down not only an unprecedented \$15 trillion in U.S. housing-related financial assets, but the commodities bubble, and the world financial system.

In looking for the signs of that crash, sifting through reams



*In the topsy-turvy U.S. housing market, many mortgages now exceed the market value of the home—a situation known as “negative equity.” This is due both to collapsing markets in certain regions of the country, and to “exotic” interest-only and other loans that have kept the housing bubble aloft.*

of data is useless; rather, seek out those key parameters, which show a unique directional change:

- When homeowners realize that the housing bubble has crested, and that either the prices of homes have or soon will have peaked, and are headed down, they rush to put their homes on the market to sell them for as much as they can get, hoping the home is still salable. On April 25, the Mortgage Bankers Association reported that the nationwide inventory

of unsold houses jumped to 3.194 million in March 2006, from 2.297 million in March 2005, an increase of nearly 900,000 or 39%. The inventory of unsold homes is growing by 50,000 to 100,000 per month, as “buyers” fail to purchase them at current prices.

- On April 24, RealtyTrac, a foreclosure monitoring service, released its “2006 First-Quarter U.S. Foreclosure Market Report.” It found that in the first quarter of 2006, nationwide, 323,102 housing properties entered some state of foreclosure, a 72% increase over the first quarter of 2005. This is usually one step before the homeowner loses the home.

- But one of the most decisive parameters, which has reached epidemic proportions, and whose spread indicates the *curvature* of the housing bubble’s collapse, is one of the least reported on. It is called negative equity, or frequently, “upside-down mortgages.” It means, simply stated, that the homeowner owes, on mortgages on a home, more than the home and property is worth, or could be sold for on the market. The homeowner is in a completely no-win situation. The homeowner “can’t pay, can’t sell, can’t refinance.” The more that home prices fall, the more that homeowner sinks into his prison. Like the character in Edgar Allan Poe’s story, “The Cask of Amontillado,” he is walled in, with foreclosure looming large.

### Growth of Negative Equity

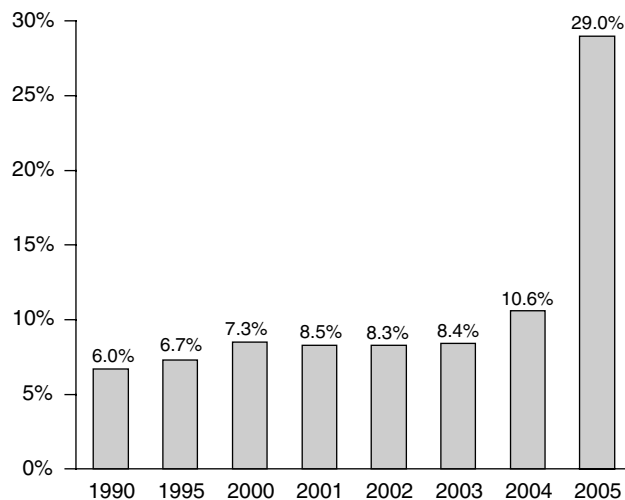
As an aid, consider how equity is defined with regard to homes: Equity is the value a homeowner has in a home that is free and clear above debt. If a home has a market value of \$500,000, and by borrowing against the home and to buy it in the first place, the homeowner has a mortgage of \$400,000, then his home equity is \$100,000. If, with that same \$500,000 home, the homeowner has \$550,000 in mortgage debts, then he has negative home equity of \$50,000. In the first case, the homeowner is said to have a 20% positive equity (\$100,000 divided by \$500,000); in the second case, he is said to have a 10% negative equity.

On Feb. 8, First American Real Estate Solutions released a report entitled, “Mortgage Payment Reset: The Rumor and the Reality,” that shone a spotlight on negative equity. It studied American homeowners’ first mortgages only. The stunning result of the study was that, as of the third quarter of 2005, 9.4%—nearly one in ten—of such homeowners have negative equity.

But even more alarming for American households—and the housing bubble—is the dramatic rate of change in this measure during the past two years, a trend that appears to continue in 2006. **Figure 1** shows specific results for years in which mortgage loans were taken out, or “originated.” For mortgage loans originated in 1985, 6.0% today have negative equity. For mortgage loans originated in 2003, 8.3% today have negative equity. Thus, for the period 1985-2003, there was a narrow, well-defined band of negative equity. But the shift started in 2004, and for loans originated in 2005, the

FIGURE 1  
**U.S. Home Mortgages That Have Negative Equity**

(By Year That the Mortgage Originated)



Source: First American Real Estate Solutions, Christopher Cagan, “Mortgage Payment Reset.”

percentage that have negative equity jumped to 29%, far beyond anything that had happened before.

Several million households took out mortgage loans in 2005; nearly one-third of them owe, on a mortgage, an amount greater than the value of the house it is attached to.

Christopher Cagan, author of the First American Real Estate Solutions report, told *EIR* on April 27, how this situation came about. “People who have read the report have said to me, that the 29% rate is just too big—how can that be?” Cagan said. “But I have done an accurate study with a large number of homes. There are several ways that negative equity is brought about. One way is that the price of the homes actually fall—as they are in Detroit, where they are falling 10% or more.” As the market value of the home falls, the mortgage amount due remains the same, increasing the negative equity.

Cagan also focused on exotic loans—interest-only and negative-amortization mortgages—that lenders have used to keep the housing boom alive. “Another way is the [role] of negative-amortization loans.” In this kind of mortgage, which has become widely used, usually for a period of the first 1-3 years of the mortgage, the mortgage borrower does not pay any principal, and, moreover, pays only a part of the interest due. “In this case, the borrower defers part of the interest payment, and the deferred interest is added on to the balance of the loan, so the balance grows.” The mortgage debt swells above the home’s value and causes a negative-equity predicament.

But there are many questionable practices that real estate agents and lenders are using to get people to buy homes. Said Cagan, “Let me tell you how the real estate market works in parts of California. You sell your house by adding \$50,000 to what your neighbor’s house sold for, and then adding 10% to the asking price. So let’s say your house is worth \$700,000. You ask for \$800,000. Then a realtor tells the person who is thinking of buying the house, ‘Offer \$900,000, otherwise someone else is going to get the house.’ The house sells for \$900,000.” He continued, “Then the lender is told, ‘Do what you have to do to make [the sale] happen.’ This is done because it is figured that the rising market will forgive you. The loan is made for \$900,000, but even as the loan is made, the house is really worth only \$750,000. That loan is underwater from the get-go.”

Thus, due to this action, the mortgage exceeds even the real estate market value of the home from day one: Its equity is negative.

Cagan is very concerned that in many of these loans, the household took out an adjustable rate mortgage (ARM) at “teaser rates of 1%,” and then, after the pre-arranged period of time, the ARM resets to a higher interest rate. That could increase the interest amount due monthly by such a great amount, that the borrower can’t pay the mortgage.

The homeowner with negative equity—and there are millions of them—has exhausted his options. He can’t *pay* the mortgage, because the mortgage has become too onerous. He can’t *sell* the home, because if the homeowner could even sell the home at the market price, he would still owe a part of the original mortgage attached to the house. He can’t *refinance* the house, because the bank would see that the home has a market value less than the existing mortgage; under those conditions, the bank would not refinance, that is, lend new money. The homeowner is trapped in this neighborhood, even as market conditions turn more and more against him.

## Falling Home Prices

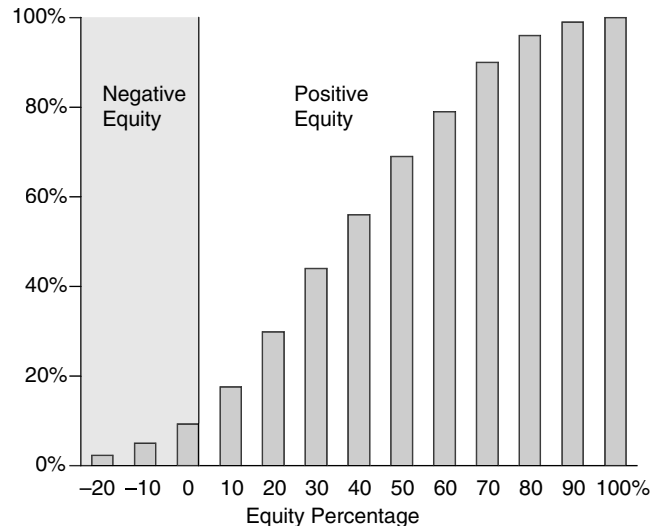
In his report, Cagan raises the real question: what would happen to the number of people with negative equity were home prices to fall not just in Detroit and the Midwest, but across the United States, by, say, 10-30%. **Figure 2** is the model he uses to examine the consequences. This figure depicts the prevailing situation, in which *cumulatively* 9.4% of all homeowners with mortgages have zero or negative equity. That is designated by the vertical line; everything to the left of the line, in the zone which is shaded in the figure, represents those households with zero or negative equity. However, if home prices fall, that line will move to the right, encompassing more households.

For example, the graph shows the percentage of households that possess 10% equity or less (including those with negative equity). This represents 17.7% of all households. However, were home prices to fall 10%, then those who pre-

FIGURE 2

## Cumulative Distribution of U.S. Homeowner Equity Percentage, Third Quarter 2005

(Percentage of Homeowners)



Source: First American Real Estate Solutions, Christopher Cagan, “Mortgage Payment Reset.”

viously had 10% equity, would now have no equity. The line would shift to the right, and now 17.7% of all households would have zero or negative equity. Were home prices to fall 30%, the line would shift further to the right. Those households which previously had 30% positive equity, would have no equity. With that 30% fall in home prices, 44.4%, or nearly half, of all households in the nation would have zero or no equity.

Cagan stresses that those households that have adjustable rate mortgages, especially those who signed on for initial interest rates of 4% or less, are vulnerable, because those rates are rising, and will increase monthly payments by hundreds of dollars.

He determined that within the next few years, \$297 billion of vulnerable mortgage loans, many with negative equity, will default.

Cagan argues that this level of defaults will have a small impact on the banks, or the much larger world of mortgages. However, he overlooks that this is a dynamic process. Mortgage defaults of \$297 billion would register for all to see the dire nature of the bubble; it would drive home prices down another notch, pushing more and more homeowners into negative equity. The world of mortgage-backed securities would be rocked, putting pressure on Fannie Mae and Freddie Mac to churn out money to hold it up. This would puncture the multi-layered \$15 trillion in housing-related paper, and that, in turn, would bring the commodities bubble to the point of explosion.

# Promising Signs in Germany of New, Pro-Industrial Optimism

by Rainer Apel

After decades of languishing under the Green ideology that says that growth, science, and technology are all “bad,” Germany is showing signs of a resurgence of pro-industrial optimism. This is essential to rebuild a nation that has been hard-hit with unemployment, and where the hedge funds—known as “financial locusts”—are trying to gobble up what remains of industry. Whether this optimism will be realized, however, is a hot political question: It depends on Germany’s adopting the program being put forward by the LaRouche movement, whose party is the Civil Rights Movement Solidarity (BüSo).

The BüSo is running 20 candidates in the municipal elections in Berlin, in September. Helga Zepp-LaRouche, the party’s chairwoman, emphasized in a statement in early April, that the capital city’s future prospects are through Eurasian integration, building modern infrastructure all along the Eurasian Land-Bridge. “Berlin will play a fundamental role in scientific exchange, and will be the primary crossroads for East-West and North/South transport of goods and people throughout Eurasia,” she said (see her full statement in *EIR*, April 21).

Germany is slowly (too slowly) recovering from the radical ecologism of, especially, the seven years of Red-Green government of Social Democrats and Greens that ended with early elections in September 2005. The vast majority of Germans hope that the current Grand Coalition of Christian Democrats and Social Democrats will revitalize the depressed national economy, rebuild industries, promote nuclear power and pioneer technologies like maglev transport, and create millions of jobs to regain full employment.

The new optimism was evident in the speech that Norbert Lammert (Christian Democratic Union), the Speaker of the national parliament, gave at the opening session of this year’s Banking Congress in Berlin on April 24. Lammert said that “shareholder value” definitely is not a translation of “common good,” adding that banks can be a more dangerous enemy than armies. Not bad, for a member of a party which, until very recently, was under the heavy influence of radical economic neo-cons.

Then on April 23, Edward Krubasik, president of the national association of the electrotechnical industry, spoke on the sidelines of the annual international industrial fair in Hanover. “Our chances lie in innovation, and not in low

wages,” Krubasik said. “Jobs, growth and property develop only via the development of new technologies, in Germany and in Europe.” In Europe, there is an urgent need for modernization of infrastructure, in the range of several hundred billion euros, he added, stressing maglev train systems and power supply.

At the Hanover fair, Germany is presenting a new variant of the maglev train, the super-low-conductor SupraTrans for use in urban transport—a technology developed in Dresden, which is prominently endorsed in the BüSo’s program for the Berlin elections—the only political party to do so in Germany, to date.

## German-Indian Prospects for Cooperation

The Hanover fair was opened on April 23 by German Chancellor Angela Merkel and Indian Prime Minister Manmohan Singh, with more than 300 firms presenting their wares. India, this year’s featured guest nation, sent the largest industrial delegation ever from a foreign country. Singh introduced a strong dose of industrial optimism, describing his government’s plans for projects of national infrastructure (electrification, transport, water supply) and industry development. He said there exists in India the potential to absorb \$150 billion in foreign investments. Germany is being sought by India as a preferential partner for machine-building, port and airport development, automotive and machine-building, laser technologies, medical systems, and nuclear power technology.

Merkel and Singh signed an agreement for the creation of an Indian-German Energy Forum, where experts from both sides will discuss joint energy development projects. The nuclear power aspect was treated more cautiously by the German side, however, because Merkel’s coalition partner, the Social Democratic Party (SPD), still holds on to the anti-nuclear belief structure which is to blame for national legislation requiring the phase-out of nuclear power, and the construction of no new nuclear plants in Germany itself. A statement issued on April 24 by Merkel’s Minister for Environmental Affairs, Siegmund Gabriel (SPD), illustrates the problem: He called for a worldwide exit from nuclear power, terming it a “technology of the past.” Fortunately, leaders outside of Germany, most of whom are for nuclear



Press Information Bureau of India

*German Chancellor Angela Merkel and Indian Prime Minister Dr. Manmohan Singh tour exhibits at the Hanover international industrial fair, April 23, 2006. India is eager for huge trade deals to enhance its power and transport sectors, but can Germany deliver?*

power, are not members of the SPD.

A separate Joint High-Tech Council of Germany and India, covering pioneer sectors of industrial research and development, has been created, as well. This includes space technologies, a sector in which the Indian side can contribute a lot (Germany does not have a national space program). This also includes the development of technologies for the International Thermonuclear Fusion Experimental Reactor (ITER) project, to which India already contributes crucial components.

Perspectives for German cooperation with India are wide open, and exports to India saw an increase by almost a third, in 2005, although they are still way below the trade with, for example, China or Russia. Especially in the ambitious national program for the electrification of the remote Indian countryside regions that Singh and his government launched more than a year ago, Germany's power technology industry could provide support to accelerate the program.

Germany's maglev train technology, which so far has been put into reality only in Shanghai, China's biggest urban region, is an ideal transport system for the vast expanses of the Indian subcontinent.

## **Global Reorganization Required**

Thus a great potential is there, but Germany has to overcome some acute problems, to be able to tap it. The German economy is operating way below its real capacity, under the straitjacket of the European Union's Maastricht Treaty budget restrictions. Long-term development projects, for example with India, require large productive investments, and this requires the intervention of the state—which is what the Maastricht regulations ban. By comparison, India is in a much better position, because it is not part of the Maastricht system

and has economic and financial sovereignty. That is why the BüSo demands that the Maastricht system be replaced by a national banking policy approach, and maintains that the concept of shareholder value must be replaced by investments for the common good.

The German government must promote the urgent reform of the global monetary and economic system, in favor of Lyndon LaRouche's initiative for a New Bretton Woods initiative—a return to a fixed-exchange-rate system, based on Franklin D. Roosevelt's model, which would wipe out the financial locusts, and make preferential credit available for productive purposes. Only such a reform, in which the United States would have to play a leading role, can create lasting conditions that are favorable to industrial development. Under the reign of monetarism, there is no breathing space for the common good. Monetarism has to go, and Germany, the biggest economy of Europe, has to help make it go.

The other big problem that Germany faces, is the destructive heritage of the radical ecologist era: German industry would at present not be able to build a single nuclear power plant in India, should an agreement be signed on that. The reason is that, after years of radical ecologist scare-propaganda, only a handful of young Germans dare enroll for a university training in nuclear physics. Within the next four or five years, Germany will not even have enough nuclear experts of its own to keep the still-existing nuclear power plants operating, and will have to hire experts from abroad, from countries like India, China, or South Africa—where the high-temperature pebble-bed reactor technology that was banned in Germany 15 years ago, is being developed right now. Were the German government to decide to build even one new nuclear power plant, it would have to be built by the French, a senior official at the German Physical Society once told this author.

And if China does not decide in favor of building another maglev route soon, Germany's maglev engineers and workers will be unemployed, by the end of 2006 or the Spring of 2007, at the latest. In Germany, which so far only has an experimental route for test-rides with the Transrapid train, but still no concrete decision on a commercial maglev route has been taken. The plans have been blocked by spurious environmentalist opposition.

The broader problem of the shortage of engineers was underlined at the Hanover fair by the German Association of Engineers (VDI), which stated at a press conference on April 25 that 16,000 engineers are urgently needed in the German machine-building sector.

Germany's economy, its research sector, and its educational system need an overdose of technological and industrial optimism, to change course and turn into a leading international producer of goods for the real economy again. The glimpses of hope that can be reported, from the past few weeks of political debates, are only the beginning of a long overdue correction of policies.



# Tick, Tick, Tick . . . Time Running Out on Housing Bubble

by Marcia Merry Baker

In March 2006, Loudoun County, Virginia, was officially declared an epidemic region for Lyme disease, the bacterial illness which, if not treated promptly, can cause permanent pain and impairment in the joints, nervous system, heart, or elsewhere. Loudoun ranks third among counties nationally for the disease (in terms of rapid rate of increase of cases), after only Lyme, Connecticut, for which the disease is named, and a county in Rhode Island. This is right in line with various biological studies to date, showing that *the spread and incidence of Lyme disease over the past 15 years—outward from its original concentrations in New England and the North Central states—is directly related to the furtherance of Lyme disease vectors (ticks and mice) associated with the patterns of sprawl during the Alan Greenspan-era speculative home mortgage and commercial real estate binge.*

Thus, Loudoun County now has the double-distinction of being both the Ground Zero county for bursting of the real estate bubble (see “As LaRouche Warned: Loudoun County Real Estate Bubble Is Ready To Implode,” *EIR*, April 28, 2006), and also for a disease rate associated with the bubble-producing speculative insanity. Loudoun stands as a proof-of-principle of how violating what’s best for the economy, is dangerous for your health—man or beast.

The number of new Lyme disease cases in Loudoun County, located in northern Virginia, 40 miles west of Washington, D.C., topped 100 in 2005, up from 29 in 2000, and the county today represents over 40% of all cases in the state. At present, there are 371 known cases among Loudoun residents. Dr. David Goodfriend, director of the Loudoun Health Department, told *Lees-*

*burg Today* in March, that the actual, undiagnosed incidence could be twice as high as 371; some specialists estimate there are ten times as many unreported cases. Goodfriend said, “If you look at any measure of epidemic, it’s an epidemic.”

## Suburbanization Creates Disease Habitats

How did this come about? First, a simplified overview, then some specifics. In brief, it’s a matter of creating a habitat favorable to the most efficient Lyme disease vector pattern: 1) mouse hosts ticks; 2) infection is transmitted, 3) humans get disease from infected ticks (especially when they are tiny, hard-to-see nymphs) present in grass or other vegetation.

Reported Cases of Lyme Disease -- United States, 2004



CDC

*The two centers of concentration are in the Northeast and North Central states, shown by one dot for each case, in the county of residence, 2004. Nationwide, in 1991, there were in the range of 9,000 reported cases, reaching 24,000 in 2000. As of 2004, the Centers for Disease Control reported 19,804 cases, for a national average of 6.7 per 100,000 people. But in the 12 states where the disease is more common, the average was 27.4 cases for every 100,000 persons. Statewide high averages for 2003 included: 68.38 per 100,000 in Rhode Island; 40.28 in Connecticut; and 46.34 in Pennsylvania.*



EIRNS/Stuart Lewis

A “McMansion” in Virginia’s Loudoun County. Such patches of land carved out of former woods and agricultural areas are prime breeding grounds for the field mice that carry ticks, since predators of the mice have been eliminated.

During the recent decades of real estate speculation, land use has been altered so extensively, away from distinctly organized urban and agriculture patterns, into a suburban patchwork of housing developments and malls, carved out of former woods and farm fields, that a perfect habitat for the field mouse has been created. The mouse is believed to be the foremost host and transmitter of Lyme-infected ticks. Look at the clearings in the forest made for housing developments in the Pocono Mountains, Pennsylvania, for example. Look at the extensive areas of former farmland and woodlots carved up into home lots throughout Loudoun County.

What happens is twofold: In these kinds of settings, in particular in what researchers call “fragmented forests,” the mouse population itself rises, because its predator and competitor population tends to fall—owls, hawks, squirrels, chipmunks, and many others. So there are simply more mice, hence more opportunity for ticks. And secondly, because these various other animals don’t all acquire or transmit Lyme infection as easily as do mice—though the animals may well host ticks—the *rate of infected ticks rises* when the mouse population is high, and the number of other host creatures is low, which researchers call a low bio-diversity.

This puts one popular notion into a new perspective, namely that deer are the main culprits. Yes, deer do host ticks, especially in the adult tick phase, and contribute to the pool of ticks present. But deer themselves, even when bitten, do not necessarily get Lyme disease, nor transmit it. It’s necessary to look at the entire ecology favoring the disease. Though “deer tick” is the common name for the black-legged variety of tick involved in transmitting Lyme disease, the specific culprit

vector is the field mouse. Housing sprawl itself has advanced conditions for the mouse and for human contact with the ticks, in the grassy yards and surrounding woods.

What then predictably ensued, as more and more of the U.S. land use pattern was altered, especially during the past 15 years of the Green-span Great Housing Bubble, is that Lyme disease “took off.” Whereas historically, its presence was concentrated in mainly two areas—the North-east, and North Central states, the new, favorable habitats for transmission from mice to ticks to humans, allowed the disease to move outward and intensify as suburbanization grew.

The map shows the geographic distribution of cases as of 2004. Loudoun County is on the front edge of the progressing pattern.

### Epidemiology: Some Details

Lyme disease is caused by the spirochete bacterium *Borrelia burgdorferi*; typical symptoms include fever, headache, and fatigue. The bacteria are transmitted by ticks to humans and animals.

Two black-legged ticks are involved, the *Ixodes scapularis*, common in the East and Central regions of the United States; and the *I. pacificus*, common in the West.

For humans, the tell-tale first-reaction (in some, but not all people) is a characteristic skin rash called erythema migrans, which has a bull’s-eye pattern, caused by the reproduction of the spirochete. If Lyme is not diagnosed early, and treated rapidly with antibiotics, then comes the danger of chronic illness, including arthritis and central nervous system problems.



CDC

Photomicrograph of *Borrelia burgdorferi*, the spirochete bacterium which causes Lyme disease.



CDC/Michael L. Levin, Ph.D.

The black-legged tick, *Ixodes scapularis*, otherwise known as the deer tick. It and *Ixodes pacificus* in the West, are vectors for Lyme disease. They transmit the bacteria to humans and animals during feeding, when they insert their mouth parts into the skin of a host, and take in nutrients from the host blood.



Virginia Dept. of Game & Inland Fisheries

The common, white-footed mouse, *Peromyscus leucopus*.



USDA/Scott Bauer

In the Northeast, the white-tailed deer, *Odocoileus virginianus*, is the primary host for adult black-legged ticks.

The key route of transmission by ticks is field mice. The white-footed mouse, *Peromyscus leucopus*, is considered the principal reservoir for the bacterium. The tick, at its earliest stage in life, acquires the bacteria from the blood of animals—most frequently the field mice. The tick’s nymphal phase is when the disease is most commonly transmitted to humans, because the nymph, being so small, is not easily detected; and also, the nymph stage is usually late Spring and early Summer, when human presence outdoors is more frequent.

The other animal hosts for ticks, and for the bacteria, have varying degrees of efficiency in acquiring and transmitting infection. Compared to the mouse, these animals have lesser “reservoirs of competence” for infection, as the biologists say.

Therefore, the most obvious conditions favoring transmit-

ting the disease to humans, are the habitats favoring field mice, and the interface with humans. This means the yards of suburban McMansion settings, five-acre “farmettes,” and the other kinds of small patches carved out of former woods and agricultural areas surrounding the Eastern megalopolis, and other once-organized urban centers. In the ecology of these sprawl zones, field mice have a field day, because their predators and competitors have been eliminated.

Careful biological assays of cleared patches in forests, have shown that the density of infected ticks, and ticks overall, can be up to *seven times* as great in these situations—particularly in the range of 1 to 2 hectares (up to five acres), compared with standard forest areas, because mice thrive in these home-lot sized land parcels.

A study published in 2003, of Dutchess County, New York,<sup>1</sup> showed the phenomenon so distinctly, that its co-author, Felicia Keesing, assistant professor of biology at Bard College, N.Y., told the *Poughkeepsie Journal* (Jan. 29, 2003), “It seems that this five-acre threshold is so clear that it would be really useful for planning boards to take this into account when allotting permits for multi-home developments.”

## Geography of Disease Habitat

In Loudoun County itself, Health Director Dr. Goodfriend is completing a zip code study to determine the epidemiological geography and other patterns of those afflicted with the disease in his jurisdiction. Multiple households along the roads of Loudoun’s new housing developments, and whole families have been hit.

The National Institutes of Health has begun an investiga-

1. See Brian F. Allan, Felicia Keesing, and Richard S. Ostfeld, “Effect of Forest Fragmentation on Lyme Disease Risk,” *Conservation Biology*, Vol. 17, No. 2, February 2003, pp. 267-272.

tion of how suburbanization works as a disease vector in the case of Lyme disease. Some of the principles involved are documented in articles in several scientific journals reporting on empirical studies.

“Forest fragmentation” is the term used by the team of researchers to describe the area they studied in 2001 in New York’s Dutchess County, where they went into various-sized patches of de-forested land and did “drag-sampling” to collect *I. scapularis* ticks and check for density and infection prevalence. They used a one-meter-square drag cloth, close to the ground, along pre-drawn transects. The results showed dramatically higher numbers of infected ticks in the small patches of land—where field mice density was highest—contrasted to the far lesser rate of infection among the ticks counted in larger zones.

The researchers have discussed many contributing causes. One group of investigators uses the term, “dilution effect” to describe the fact that the rate of infected ticks associated with field mice goes down, when there is a diversity of other animals present for ticks to feed on. This is because the others have lower “reservoirs of competence” at transmitting the bacteria.

One laboratory test did a comparative study of animals commonly found in the outdoor settings in question. It showed, for example, that whereas the white-footed mouse tends to pass on the infection to ticks about 92% of the time, the eastern chipmunk did so 55% of the time. So, as the authors of one study said, “Forest fragmentation decreases mammalian biodiversity and results in areas of very high mouse density.” The principal researcher, Dr. Kathleen LoGiudice, of Union College, N.Y., said more explicitly, “Sprawling development . . . may be increasing our exposure to Lyme and similar vector-borne diseases. Biodiversity can have some very real implications for our health and quality of life.”<sup>2</sup>

On the implications for higher risk of human infection, the authors of the Dutchess County tick-measurement study concluded: “The incidence of Lyme disease is particularly high in regions where dense human habitation is juxtaposed with forest habitat that supports tick vectors and their hosts. Our results suggest that efforts to reduce the risk of Lyme disease should be directed toward decreasing fragmentation of the deciduous forests of the northeastern United States into small patches, particularly in areas with a high incidence of Lyme disease. The creation of forest fragments of less than 1-2 hectares should especially be avoided, given that these patches are particularly prone to high densities of white-footed mice, low density of vertebrate hosts, and thus higher densities of infected nymphal blacklegged ticks.”

2. See K. LoGiudice, R.S. Ostfeld, K.A. Schmidt, and F. Keesing, “The Ecology of Infectious Disease: Effects of Host Diversity and Community Composition on Lyme Disease Risk,” *Proceedings of the National Academy of Sciences*, Jan. 21, 2003; 100:567-71. Available online at: [www.pnas.org/cgi/content/full/100/2/567](http://www.pnas.org/cgi/content/full/100/2/567).

## A ‘Marshall Plan’ For the Niger Delta

The following article was excerpted and edited from reports sent to *EIR* by Lawrence Fejokwu, a researcher and journalist living in Nigeria, who has collaborated with *EIR* in disseminating the ideas of Lyndon LaRouche there. The Marshall-Plan-type proposal he discusses is intended to alleviate the extreme poverty that exists in the Niger Delta oil-producing region of southern Nigeria.

Despite its great natural wealth as the world’s tenth-largest oil producer, Nigeria is still suffering from its refusal to break from the failed economic policies of the International Monetary Fund. The vast majority of Nigerians live on \$1-2 per day, in horrible conditions which unfortunately exist throughout Sub-Saharan Africa. There is no hope for Nigeria, or any other country in Africa, unless we overturn a century of genocidal-predatory policies executed by the financier-oligarchy based in the City of London. The international financial system is bankrupt, and has to be replaced with Lyndon LaRouche’s New Bretton Woods system.

In the Niger Delta, armed gangs freely roam through the swamps, taking hostages and sabotaging pipelines—which



has resulted in a 25% reduction of Nigeria's daily output—and threatening to destabilize the whole country. Without real physical economic development and improvement in living standards, alienated youth facing a hopeless future will be an ever-growing potential recruitment base for these types of activities.

While the following proposal for a Marshall Plan for the Niger Delta does not provide all the answers, it is a useful contribution toward a solution. However, we must warn against any tendency to rely on the oil and gas companies that dominate production and commerce in this area, for the financing of infrastructure for a Marshall Plan. The private sector will not make the long-term investment for vital large-scale infrastructure projects in water, energy, roads, schools, and hospitals. Only the government, in accordance with its responsibility to provide for the general welfare, will make these necessary investments.

—Lawrence Freeman

## Report From Nigeria

by Lawrence Fejokwu

Amidst frantic calls by patriotic nationalists and international agencies for a Nigerian-versed “Marshall Plan” to stem the violence in the Niger Delta, it has become imperative for the federal government to initiate strategies that will urgently stimulate accelerated socio-economic development in the Delta region.

Unless and until the government of Nigeria takes concrete and urgent steps to promote genuine development in the Niger Delta region, there will be a catastrophe in the years ahead, judging by the hostage-taking saga.

The nine states of the Delta region (Abia, Akwa-Ibom, Bayelsa, Cross-River, Delta, Edo, Imo, Ondo, Rivers) have made efforts toward accelerated development, using a 13% extra grant from the federation account. But one state, Rivers State, has initiated a revolutionary initiative for poverty eradication—the Rivers State Sustainable Development Plan (RSSDP).

Dr. Peter Odili, Governor of Rivers State, put this idea forward as a “Marshall Plan” to deal with the crisis. He underlined in his 1999 inaugural address: “Our youth are the future of our state. We will make the solution of their problems a major priority in our development efforts, and create new and positive avenues for the attainment of their innate potentials.”

Coming at a critical period in Nigeria's history, this plan will reduce political tension in the oil and gas region of Nigeria, and also create employment for millions of unemployed youths.

Odili's Strategic International Initiative has already taken

root in Rivers State, and the RSSDP has been operational over the past few years.

The highlights of the plan include:

1. Provision of uninterrupted power supply to every nook and corner of the state, specifically all the oil-producing communities, on completion of the 40 billion naira [\$314 million] Omuku Independent Power Plant (IPP) with an initial capacity of 300 megawatts. The IPP is complemented with a N15 billion state grid, which will transmit power to all corners of Rivers State, and possibly beyond.

2. Security has been strategically enhanced with the provision of high technology, such as vehicles for security operatives, including power-boats for patrolling the riverine communities, and sophisticated telecommunications equipment.

3. Training, equipping, and motivation of police and other security personnel.

4. Provision of housing and welfare facilities to motivate security personnel.

5. Provision of highly equipped helicopters both for security surveillance and inter- and intra-state transportation. Helicopters equipped with medical facilities are being procured for riverine communities.

6. A modern, fully equipped hospital is under construction in the state capital. The \$13.2 million Brathwait Memorial Hospital, under construction in Port Harcourt by an international consortium on a turnkey basis, will serve as one of the best reference hospitals in the country.

7. A massive road construction and maintenance program by internationally reputed construction companies is in progress throughout the state.

8. Rivers State is not only the land of oil and gas; it also has the largest palm oil estate in Nigeria, producing more than 120,000 tons of palm oil for export.

9. Fish farming and cassava cultivation are being seriously developed to empower entrepreneurs, create employment, and radically increase prosperity.

After providing a satisfactory environment—power supply, security of lives and property, a highly motivated workforce, and food security programs—the Rivers State Marshall Plan has now moved to the international scene. Governor Odili is inviting multinational stakeholders to come and invest in the state, which is the oil and gas capital of Nigeria, indeed, of Africa.

What does it profit Nigeria to amass billions of dollars in foreign reserves, while the Delta region, which has consistently supplied billions of dollars for Nigeria's sustenance over the past 45 years, remains a war zone?

The big international projects being executed in the Rivers State can be considered part of this overall plan. They include the International Aircraft Hangar near Port Harcourt International Airport, for servicing and maintenance of aircraft; construction of a second runway and perimeter fencing at the Port Harcourt Airport; construction of an industrial park, and several other construction projects.

# Business Briefs

## Water Resources

### Brownsville To Get Desalination Project

The Texas Water Development Board approved a pilot seawater-desalination plant on the Brownsville Ship Channel on April 17, according to the *Brownsville Herald*. Three sites had been under consideration since 2002: Brownsville, Corpus Christi, and Freeport. Freeport had been in the lead, but the board finally settled on Brownsville, because it is the most vulnerable to drought. (Freeport was the site of one of the first U.S. desalination sites, run by Dow Chemical, and officially opened by President Kennedy in 1961. It was a one-million-gallon-per-day vertical distillation plant.)

The state awarded a \$1.3 million grant to the Brownsville Public Utilities Board for the initial project, which should be desalinating seawater by August. It will initially process just 100,000 gallons per day, for a year, to test the system. Eventually it will produce up to 25 million gallons a day.

Brownsville opened a brackish water desalination plant in 2004, which can desalt 7.5 million gallons a day.

## Transportation

### Panama Plans Historic Expansion of Canal

Evoking the memory of his father, Gen. Omar Torrijos, the highly popular nationalist President, who in 1977 re-established Panamanian ownership of the Canal, the current Panamanian President, Martin Torrijos, gave an April 26 nationally-televised address in which he proposed a \$5.3 billion widening of the huge 50-mile waterway, to enable it to handle the giant container ships that are becoming increasingly common in today's global trade, according to press accounts. The project, which will be put to a national referendum later this year, will provide thousands of new jobs, and will "define

our future and give reality to Omar Torrijos' dream," he said.

The Canal, which currently handles 5% of world trade, much of it between Asia and the United States, is facing competition from other trade routes, said President Torrijos, who stressed that "it would be unforgivable" if Panama did not step up and meet the challenge. The plan is to build a new set of giant locks, more than 50 meters wide, which would create a third lane of traffic capable of handling the larger ships.

While the Torrijos proposal addresses the immediate need for expanding cargo transport through the Canal, it does not obviate the need to build an entirely new inter-oceanic canal across the isthmus, to supplement the existing Canal.

## Public Health

### World Bank Accused Of Medical Malpractice

A group of public health experts published a report in the online edition of the British medical journal *Lancet* April 25, accusing the World Bank of failing to follow through on its 1998 pledge to combat malaria in Africa.

The article was timed to coincide with World Malaria Day. Between 300 million and 500 million people contract malaria, which is transmitted by mosquito, each year, and more than a million of them, mainly children, die of malaria. It kills one child in Africa every 30 seconds.

The World Bank, in reply to the charges by the public health experts, conceded that its malaria programs were understaffed and underfinanced, but claimed that over the past year it has revitalized them.

In 1998, the Bank pledged to provide \$500 million to combat malaria. The stated goal of the Bank's Roll Back Malaria campaign, was to cut the number of malaria deaths in half in a decade. But as of 2005 it had *no* staff working on the programs.

The public health experts have called for the Bank to relinquish its anti-malaria funds

to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

The World Bank contends that it has spent somewhere between \$100 million and \$450 million to combat malaria since 1998.

"That the Bank's management tolerates such vague accounting when serving its clients, the African states to whom it pledged an increase in malaria control funds, is extraordinary," the health experts wrote.

They also accused the Bank of medical malpractice for spending about \$1.8 million to buy more than 100 million tablets of chloroquine for India, even though a deadly species of malaria had developed resistance to the medication.

## Investment Banking

### Morgan Stanley Banker: Time To Change System

Stephen Roach, the chief economist at Morgan Stanley, writes that we have reached the "time for a new global architecture." He has been a self-proclaimed bear for much of the past two years. In his April 24 report for the Morgan Stanley investment newsletter, he warns that the growing "global imbalances" threaten to cause a "dire outcome." Despite some politically-correct obeisance to globalization, his comments reflect a recognition that Lyndon LaRouche's April 20 warning, that the present hyperinflationary phase, is on the mark, and that *something* must be done. Some relevant quotes from his piece follow.

"The world has avoided a major financial crisis for more than seven years. This is due more to luck than design. With oil prices surging, central banks leaning against the upside of a liquidity cycle, and global imbalances mounting, that luck may be running out. . . . With the odds of a disruptive rebalancing high and rising, the world can ill afford to gamble with a piecemeal approach to architectural reform."

After attacking recent pronouncements by financial leaders of the industrialized countries as "increasingly vacuous," he

writes that “the four institutional pillars of the global financial and economic architecture—the IMF, the World Bank, the WTO, and the OECD—have lost their way.” While the prescriptions he offers are equally vacuous—for example, he writes that there should be twice-annual statements from one global organization, with some form of global enforcement mechanisms—his conclusion indicates the deep concern of relatively well-informed people on Wall Street with the present cascading crisis.

“I worry that globalization is occurring at such lightning speed that the world’s antiquated policy architecture will be incapable of dealing with the inevitable next strain of global problems. The financial crisis of 1997-98, with a currency contagion that spread around the world like wildfire, was but one example of an unprepared world. Unfortunately, as evidenced by the extraordinary compression of emerging market debt spreads, these lessons are now all but forgotten. Meanwhile, oil prices are at levels that were unimaginable just a few years ago, and one nation is running a current account deficit that hit an annual \$900 billion in the fourth quarter of 2005. . . .”

After a final blast at the “ever-myopic financial markets,” he concludes: “With oil prices surging, the liquidity cycle turning, and global imbalances mounting, the risks of a disruptive adjustment to the global economy are rising. Sadly, no one is in charge to prevent what could be a dire outcome—or to suggest how to pick up the pieces.”

## Privatization

### World Bank Demands Philippines Suicide

A report released by the World Bank, as reported by the *Philippines Inquirer*, April 24, leaves no doubt that World Bank head Paul Wolfowitz is dedicated to killing more people through the Bank than he did when he was at the Pentagon. The already collapsing Philippine economy and increasingly hungry population has been told to:

- “end the National Food Authority’s costly subsidy program”;
- “immediately sell the power-generating assets of the Power Sector Assets and Liabilities Management Corp. (PSALM) this year, to further improve the government’s financial position”;
- rapidly increase the “pace of pension fund reforms,” through “a carefully planned and phased-in increase in contribution rates and rationalization of benefit payouts,” and investment of pensions in “alternative investment options. . . to obtain better returns,” meaning hedge funds.

## Power

### China, India To Increase Oil-Refining Capacity

Petrochina’s Vice President Duan Wende told reporters that China plans to spend \$22.5 billion in the oil refining and petrochemical sector in the next five years, according to press accounts. During this period, China plans to commission five 10-million-ton oil refining bases; two aromatic hydrocarbon production bases, four chemical fertilizer plants, and six large ethylene production facilities. China plans to increase its oil refining capacity by over 45 million tons to reach 170 million tons capacity by the year 2010.

Simultaneously, two Indian private sector companies, Reliance Petroleum Limited and the Gulf Oil Corp., have decided to set up refineries in India for both crude and base oil. Gulf Oil plans to set up a 12-million-ton-a-year refinery at the estimated cost of \$1.8-2.5 billion, and a 300,000 tons-a-year base oil refinery, for petrochemical feedstock, at the cost of about \$250,000.

Reliance Petroleum has announced its plans to spend \$6.1 billion, which would almost double India’s refining capacity by 2008. It would add a 580,000 barrel-per-day (bpd) plant to its existing 660,000 bpd facility in the state of Gujarat. The refining complex will become the world’s largest at a single site.

**ARGENTINE PRESIDENT** Néstor Kirchner said the IMF and Argentina “are like black and white; We think differently. . . . Things went so badly for us with the Fund, I’d be worried were we to think alike!” Speaking April 21 at the Casa Rosada, he was responding to reports that IMF Managing Director Rodrigo Rato complained to Finance Minister Felisa Miceli in Washington about the government’s economic policy.

**BRAZIL FINANCE** Minister Guido Mantega told the press, upon arriving in Washington, D.C. April 21, for his first IMF annual meeting as Finance Minister: “I don’t know if it’s the place of the Fund to carry out closer monitoring” of national exchange rate policies. “It is worth remembering that in the past, the Fund . . . supported what happened in Argentina, whose negative results we all know. That’s why I don’t know if the Fund should be an advisor on exchange policies.”

**WAL-MART** has been ordered to pay a \$1.5 million fine to settle claims of pricing violations in Michigan. The fine is for “massive failure” to individually price items as required by Michigan law, according to the office of Atty. Gen. Mike Cox. It is the largest penalty of its kind in state history.

**THE FEDERAL** Reserve Board has accused the Bank of New York of failing to tighten controls against money laundering, as it had promised to do in 2000, in a case that resulted in the bank being taxed \$38 million for some \$7 billion the bank laundered. In a statement April 24, the bank said it had already completed some of the mandated actions and that others were under way—six years later. “We plan to fulfill the expectations of the agreement in a timely manner,” said Thomas Renyi, the bank’s chairman and chief executive. JPMorganChase is in negotiations to purchase Bank of New York.



## Cheney's Ouster Is Key to U.S. Survival

by Jeffrey Steinberg

A number of senior U.S. policymakers responded instantaneously to Lyndon LaRouche's April 20 document, "World System on Weimar Collapse Curve," with shocked recognition that their own timetable for a major, top-down political shakeup of the Bush White House, was way off the mark. LaRouche's highlighting of the Weimar-style hyperinflationary spike in primary commodity prices over the past 16 months (see *EIR*, April 28, 2006), and his forecast that the present global financial system cannot survive the third quarter of 2006 without a major change in policy, suddenly pushed the issue of Vice President Dick Cheney to the top of the strategic agenda.

LaRouche zeroed in on Cheney at the start of his April 27 international webcast, published in full in this issue. After walking the audience through the documentation of the strategic commodities price explosion, LaRouche declared: "This means that the present system is finished! And it's finished this year, unless dramatic interventions to radically change the situation are made by the U.S. government. Which means you've got to get the nerd out of the White House. And Cheney first."

LaRouche continued: "Cheney, I understand, could be in deep trouble, this week, or next week. It's already in process. There's no chance this nation would survive, number one, unless we change the composition of the Presidency. Because this President will never do what's required. He hasn't got the brains to do it, and he'd be 'agin it'—sort of like the Mortimer Snerd of the White House.

"And if Cheney's not out, it's not possible to make the kind of changes that are required, which are changes that are consistent with what Franklin Roosevelt began to do in early March of 1933, at the time of his inauguration. Unless we go

back to Franklin Roosevelt, and do it this year, this nation is not going to make it. We're going to Hell—and we're going to take the rest of the world with us."

Fortunately, there are some signs that there is renewed momentum to dump the Vice President. For the first time, senior Washington sources report that a faction inside the Bush White House itself is pressing for Cheney's ouster. There is some speculation that Karl Rove, President Bush's senior political strategist, has now joined the "Dump Cheney" bandwagon. If that proves true, the consequences for the Veep could be politically deadly.

### The Fitzgerald Grand Jury

On April 26, Rove made his fifth appearance before Independent Counsel Patrick Fitzgerald's Alexandria, Va. grand jury investigation of the "outing" of CIA official Valerie Plame. According to news accounts and government sources, Rove's attorney recently received a "target" letter from Fitzgerald, indicating that the senior Presidential aide is likely to be indicted—for perjury and/or obstruction of justice. Government sources have told *EIR* that Rove's testimony could be vital, in shaping whether the Independent Counsel probe remains focussed on the Vice President and his top aides, or whether it broadens to include top Oval Office and National Security Council personnel. These sources indicate that the pace of the Fitzgerald probe was greatly accelerated, as the result of recent court filings by attorneys for indicted former Cheney chief-of-staff Lewis "Scooter" Libby. Libby's lawyers indicated that they intend to call Rove as a defense witness when the case goes to trial early next year.

Other well-placed Washington sources indicate that there has been a significant rift between Rove and Cheney, since

early in the 2004 re-election campaign, when Rove floated the idea of dumping Cheney from the ticket, due to the Vice President's growing unpopularity. These sources suggest that Rove has already provided the Independent Counsel with damning evidence about Cheney's personal role in leaking the identity of Plame, who in addition to being a CIA officer, is the wife of former Ambassador Joseph Wilson IV.

The Rove-Cheney-Fitzgerald drama took on even greater significance on April 27, when Federal Judge Reggie Walton issued a 31-page opinion, denying Libby's motion to dismiss the indictment. Libby's lawyers had argued that the appointment of Fitzgerald as Independent Counsel had been unconstitutional. Judge Walton's ruling shot down all of Libby's arguments, in stark language: "The integrity of the rule of law," Judge Walton wrote, "which is a core ingredient of the American system of government, is challenged to the greatest degree when high-level government officials come under suspicion for violating the law. . . . For obvious reasons, the Attorney General recused himself and the Deputy Attorney General concluded that someone removed from the hierarchy of the Department of Justice should investigate individuals holding some of the country's highest executive branch offices."

### Editorial Calls To Dump Cheney

Further fueling the "Dump Cheney" momentum, the *Los Angeles Times* published a lead editorial on Sunday, April 23, bluntly demanding that Cheney be fired. "If President Bush hopes the 'shake-up' of his administration initiated last week will re-energize his listless presidency, he's bound to be disappointed," the editorial began. "A far more audacious makeover is needed—one that sends Vice President Dick Cheney into early retirement."

After reviewing the collapse of the Bush Presidency, the *Times* editorial warned, "The remaking of the president in the public eye likely will require more than last week's game of musical chairs." After demanding the firing of Defense Secretary Donald Rumsfeld, the editors concluded: "Suppose Bush didn't stop there. Suppose he also asked Cheney, his mentor and friend but an even more polarizing figure than Rumsfeld, to step down. . . . Having changed his tune, the president should also think about changing the company he keeps—big time, as Dick Cheney would say."

On April 24, the *New York Times* ran a puff piece on former Secretary of State and Bush family confidant James Baker III, whom the President has recently anointed to head a Congressionally-funded Iraq Study Group. The article compared Baker's potential role with that of Dean Acheson, another former Secretary of State, who played a pivotal role in convincing President Lyndon Johnson not to seek re-election in 1968. Republican Party sources have told *EIR* that Baker, an old, bitter political adversary of Cheney, would like nothing better than to deliver the bad news to the Veep: It's time to go.

The *Los Angeles Times* editorial appeared the same day that *The Sunday Times*, the semi-official voice of the City of London financier establishment, also called for Cheney's ouster, citing a wide range of Republican Party officials. Writing from Washington, *Sunday Times* correspondent Sarah Baxter reported that "Republicans are urging President George W. Bush to dump Dick Cheney as Vice President and replace him with Condoleezza Rice if he is serious about presenting a new face to the jaded American public. They believe that only the sacrifice of one or more of the big beasts of the jungle, such as Cheney or Donald Rumsfeld, the defence secretary, will convince voters that Bush understands the need for a fresh start."

Baxter even quoted Fred Barnes, of the neo-con *Weekly Standard*, calling for Cheney's departure. Barnes called for Bush to announce that "Dick Cheney will be around as an outside advisor and I can call him on the phone, but I'd like to anoint somebody who I think will be the next leader of the United States." As silly as the prospect of a Condi Rice appointment as Cheney's replacement is, the *Times* article ended on a deadly serious note, directed personally at George W. Bush: "Only one two-term victor has been more unpopular than Bush at a similar six-year stage in his presidency—Richard Nixon in the months before he was impeached."

### Impeachment Calls and the Jefferson Rules

Bush's own impeachment is also on the political agenda, along with the calls for Cheney's ouster. As of this writing, three state legislatures are deliberating on impeachment resolutions against President Bush—California, Illinois, and Vermont. The California resolution, introduced by Assemblyman Paul Koretz, a Los Angeles area Democrat, names both Bush and Cheney, and mandates the California delegation to the U.S. House of Representatives and Senate to "cause to be instituted in the Congress proper proceedings for the investigation of President George W. Bush and Vice President Richard Cheney, to the end that they may be impeached and removed from office."

All three of the impeachment initiatives cite Section 603 of Thomas Jefferson's *Manual* of the House of Representatives as the basis for a state legislature initiating an impeachment proceeding. Between 1797 and 1801, then-Vice President Thomas Jefferson prepared a *Manual of Parliamentary Practice*, to guide him in his capacity as President Pro Tem of the U.S. Senate. In 1837, the U.S. House of Representatives formally adopted the Jefferson rules to "govern the House in all cases to which they are applicable and in which they are not inconsistent with the standing rules and orders of the House and joint rules of the Senate and House of Representatives."

Section 603, "Inception of impeachment proceedings," specifically states that impeachment proceedings can be initiated "by charges transmitted from the legislature of a state or territory, or from a grand jury."

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## Book Review

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# Securing the Good Of the Other

by William C. Jones

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### **The Battle for Peace: A Frontline Vision of America's Power and Purpose**

by Gen. Tony Zinni, USMC (ret.) and Tony Klotz  
New York: Palgrave Macmillan, 2006  
256 pages, hardcover, \$24.95

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In the flurry of mostly banal publications which appeared over the last year, authored by numerous self-styled “experts” about how to “fix” a system which has obviously failed, whether it be the post-war debacle in Iraq, or the failure to act after Hurricane Katrina, Gen. Tony Zinni’s (ret.) *The Battle for Peace* comes as a breath of fresh air. While his recent appearance on “Meet the Press,” in which he called for the resignation of Secretary of Defense Donald Rumsfeld (and was soon followed by several other retired flag-grade officers), has gained media attention, General Zinni’s critique of America’s present way of conducting its military affairs is by no means limited to putting someone competent in charge of the Department of Defense (DoD).

Generally recognized, even by his opponents, as a “Marine’s Marine,” General Zinni combines the unique qualities of a soldier-diplomat, perhaps somewhat in the mold of General George Marshall, whom he greatly admires. But even before his appointment as diplomatic envoy in a variety of “trouble-shooting” operations in the Middle East and elsewhere, after he retired from the Marine Corps, this United States Central Command (CENTCOM) commander always understood the pre-eminently diplomatic nature of his mission. His encounters with the heads of state in the vast area of CENTCOM operations—which includes 25 countries in Central Asia, the Middle East, and Africa, among the most volatile parts of the world—helped him to create the valuable political, social, and cultural ties which helped bring these countries into a collaborative relationship with the United States in safeguarding stability in the region.

Indeed, the concept of “instability” is a *leitmotif* of his concerns in *The Battle for Peace*. Far from viewing the so-called Global War on Terror as a fight between cultures, or as a simple struggle between “democracy” and “tyranny,” Zinni

views the problems America is facing through the prism of the underlying instability—social, economic, and political—in many parts of the developing world. Groups like al-Qaeda or Taliban feed on this instability in order to fuel their own movements and spread terror. Unless the United States is prepared to deal with the underlying causes of this instability, Zinni argues, it will never succeed in successfully rooting out the hard-core terrorists.

The world is a much more complicated place than that envisioned by those wild ideologues that got us into Iraq on the pretext that it would be a “cakewalk.” You have to analyze the problems on the ground, the view from the “foxhole,” as Zinni calls it, in order to see all the forces at play, before you can take effective action. In an interview with *EIR* on March 25, 2004, General Zinni had already warned about the radical “de-Baathization” undertaken by Paul Bremer, as a measure which would lead to chaos, a criticism which is now accepted as a commonplace truth.

You also must have an understanding of the underlying cultural factors involved in the area in which you are working, Zinni stresses. “Culture is formed by history and geography; it generates the customs, beliefs, social forms, and material traits of a society. Too often, we fail to analyze and understand these factors. Instead, we use our own cultural prisms to determine how things should be done, and in what order. We use them to assume superiority and right in all issues. We use them to stereotype and generalize. At best, this failure causes us serious problems in the world. At worst it leads to conflicts, chaos, and wars.”

Aggravated political and military crises develop over time. Conflicts over water, economic conditions, border disputes, the onset of famine all of these do not occur overnight. If you can detect the onset of a crisis at an early stage, the “simmering stage,” as Zinni calls it, measures can be taken to deal with it, at much less cost than would be the case by the time the crisis has reached catastrophic proportions.

The U.S. national security establishment, as it now exists, still reflects the structure of the Cold War era, he warns. The bureaucratic “stovepiping” of information and policy through the various departments, prevents the elaboration and implementation of a comprehensive policy in any particular crisis region. The same problem had dogged the U.S. military for a long time after the end of the Cold War, Zinni notes, leading to the reforms of the last decades which have facilitated a greater cooperation and interoperability among the various services. Similar reforms have to be made between the departments responsible for the total foreign policy effort. The crying failure of such coordination in the period immediately following the invasion of Iraq, has awakened people to the severe nature of this problem, he argues.

### **An Early Warning Team**

For Zinni, however, the issue is not the creation of a new bureaucracy, like the Department of Homeland Security or the National Intelligence Directorate. Rather, it is to create



Palgrave Macmillan, *The Battle for Peace*

*Recognized as a “Marine’s Marine,” General Zinni combines the unique qualities of a soldier-diplomat. He views the instability in many parts of the developing world as the underlying problem which fuels terrorist movements, not cultural differences. His goal is to deal with these underlying problems before they get to the boiling point. Here Zinni is shown with Palestinian National Authority President Yasser Arafat (left), and Israel Prime Minister Ariel Sharon (right), during his 2001-2002 efforts to mediate a peace settlement between the Palestinians and Israelis.*

the type of instruments which can bring to bear the various capabilities that already exist within the State Department, the DoD, or other relevant agencies. Zinni is proposing the establishment of a National Monitoring and Planning Center (NMPC), whose function would be to detect the appearance of a problem at an early stage. This would comprise an inter-governmental team, with representation from every relevant agency. It would provide a forum to air any differing views about the nature of a brewing crisis, and would provide the NSC and the President with a comprehensive and multi-layered view of actual conditions in a particular country or region. It would report to the President and the NSC, but would not have any directive authority, nor would the director have a Cabinet position.

In the face of a major crisis, the NMPC could then expand into an Inter-Agency Crisis Management Center, bringing in, as needed, experts from the various departments to deal with a particular region. Again taking the example of the military, he also recommends that various regional experts, now holding academic or other positions, at universities or think-tanks, be formed into something of a diplomatic Reserve corps, able to be called up into active service at the onset of a crisis in an area in which they have expertise.

Such collaboration between agencies would also have to be broadened down to the tactical level, so that the various forces on the ground can be brought to bear in a coordinated way for implementing the envisioned policy. Zinni calls this an Inter-Agency Field Force.

In addition, the problems facing America are problems it does not, and should not, face alone, the General argues. The “battle for peace” must involve international cooperation, as well as cooperation among the regional states. As was clearly laid out by Lyndon LaRouche in his Southwest Asia Doctrine

(*EIR*, April 30, 2004), a crisis in Iraq could have been resolved by bringing to bear the forces in the region, in a mutual security relationship. From his own experience in these regions, General Zinni knows that the complex nature of some of these crises is far beyond the ability of the United States to resolve, without the assistance of some of the more stable nations in the region as well as the international community.

Zinni also recommends a greater level of cooperation with non-governmental organizations (NGOs) that are knowledgeable in dealing with major humanitarian crises. He relates how, as CENTCOM commander, he was able to effectively interact with the NGOs, in spite of their widely different cultures, and to utilize their expertise, especially in what Zinni describes as the “recovery stage” in a crisis.

### **We Cannot Ignore Other Nations’ Misery**

General Zinni has an important message for the American people, especially since it is based on his long career as a soldier-diplomat. Many of those problems that have appeared endemic to the developing world, which most Americans could for so long ignore—starvation, disease, chronic unemployment, and lack of basic infrastructure—these “instabilities,” are now coming to haunt the developed world. The flow of immigrants from the South to the North, the flight of jobs to the low-wage countries of the South, the danger of the spread of pandemic diseases, are now threatening all nations. They can no longer be ignored except at our peril, Zinni warns. “We’re no longer immune from the festering problems of the ‘other world,’” Zinni writes. “We can no longer refuse to invest in preventing or resolving them. If we are going to achieve a true and lasting peace in all the world, a peace that guarantees security for the developed world as well as for the so-called Zone of Conflict, we can’t just look after ourselves

and ignore them. We will have to work hard to eliminate the instability, chaos, and violence out there.”

Reminiscent of the concept so succinctly expressed in those famous words of Pope Paul VI, “The new name for peace is development,” Zinni’s book raises the larger issues involved in the framing of a competent U.S. national security strategy. Some of this was understood, as Zinni himself indicates, during the Clinton Administration, the period in which he served as CENTCOM commander, and helped elaborate some of this thinking. The Cheney-Rumsfeld war on Iraq, and the much-touted Rumsfeld “defense transformation,” have helped to eradicate some of the understanding of this broader perspective among the U.S. military, even while the war on Iraq is placing these issues immediately on the agenda. It is hoped that *The Battle for Peace* will become mandatory reading for all young—and older—officers, who have been nurtured most recently on the apocalyptic theories of armchair ideologues like Thomas Barnett, whose writings have become *au courant* in Rumsfeld’s Pentagon. The experience garnered in Vietnam, as well as in Somalia and Central Asia, has brought home important lessons to Zinni, from which a competent national security strategy can emerge, a strategy which takes into consideration that important principle of the 1648 Peace of Westphalia, “securing the good of the other.” It is hoped that the country will soon find the political leadership that can understand the importance of those lessons.

## America’s Untold Story

How the trans-Atlantic republican movement waged a continuous fight for freedom, beginning with John Winthrop’s Massachusetts Bay Colony in 1630.

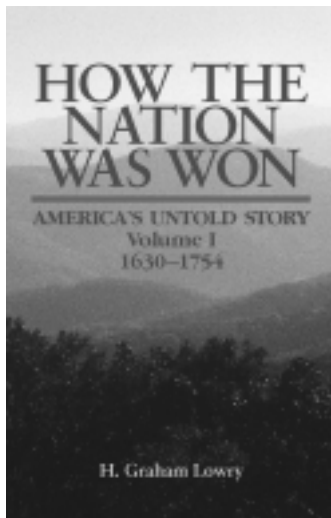
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## LYM on Mexican Elections

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# ‘Forget the Chair: The Heads Are Empty!’

by Gretchen Small

To hear the media chatter, the biggest issue of the first debate between Mexico’s Presidential candidates on April 26, was “the empty chair.” Andrés Manuel López Obrador, the candidate of the Revolutionary Democratic Party (PRD), who has led the polls for months, refused to participate in this one, agreeing to debate his four opponents only once before the July 2 election.

The LaRouche Youth Movement (LYM) of Mexico responded by telling Mexicans: Don’t worry about the empty chair, it’s the five empty heads that are the problem!

The first debate epitomized the vacuousness of the Presidential campaign thus far. None of the four participants addressed any issue of importance; not one word was mentioned about the international financial storm threatening to finish off Mexico.

Responding to this silly show, the LYM declared that they are calling upon the youth of the country to hold a real debate, among themselves, over how to secure a future for Mexico worthy of humanity’s dignity. Since none of the candidates nor their parties have shown they are up to the task of governing at this historic moment of upheaval, it falls to us, the youth, irrespective of parties, to bring reality back into national politics, the LYM announced.

### A Blow Against International Fascism

When the LYM speaks in Mexico, people listen up. This was demonstrated, once again, when at least seven national newspapers, various national wire services, the national television channel, Televisa, and regional papers from Sonora’s *Imparcial* to Guadalajara’s *El Occidente*, reported on April 23 and 24, that the LYM had disrupted the big youth rally of National Action Party candidate Felipe Calderón in Mexico City on April 23, unfurling banners identifying the PAN candidate as the representative of international fascism in Mexico.

The rally had been planned as Calderón’s big hurrah on the eve of the April 25 national debate. Instead, the candidate of the ruling party found the only news story put out on his rally was that he could not fill the gym he had chosen for the rally, and then the *LaRouchistas* ruined his Hollywood show by telling the truth on his fascist project!

Knowing the press’s propensity for distorting the news,

the LYM issued a press release explaining why they chose to intervene:

“The LYM is leading a campaign in favor of the technological development of nations using the creation of 100% national credit for infrastructure projects, for which reason we cannot allow the neoconservative faction of Bush/Cheney and Felix Rohatyn (U.S.), José María Aznar (Spain), and the PAN’s Felipe Calderón (Mexico) to carry out the destruction of our sovereign nation-state with impunity, as Maximilian of Hapsburg wished to do [from 1863-1867], returning us to colonial status during the Juárez era.

“In the same way that the oh-so-devout founder of the PAN, Manuel Gómez Morín, supported the [1939-40] candidate of the Nazis in Mexico, Juan Andrew Almazán, in order to return our oil to the multinationals, so today little Felipe ‘the pious’ Calderón asks us to abandon ‘our complexes,’ and hand our energy sector, the product of a republican tradition based on the general welfare, back to those same multinationals, such as Halliburton, the multinational which most benefited by the invasion of Iraq.

“The program of so-called structural reforms that the PAN promotes with such obsessiveness, is the same program implemented by the Synarchist International of George Shultz and Henry A. Kissinger in Chile, by means of the bestial dictatorship of Augusto Pinochet. That is why the LYM is demanding from the devout Calderón that he confess to enjoying Pinochet’s ‘Chile.’” (*Chile* is Mexican slang for “pecker.”)

“The LYM is fighting today to get more countries, like Kirchner’s Argentina, to embrace the economic policy that Lyndon LaRouche proposed this past March 30 at the Technological Institute of Monterrey, based on absolutely sovereign nation-states committed to the general welfare of their population, and mutual collaboration among nations, together with a new international financial architecture based on Franklin Delano Roosevelt’s Bretton Woods, but improved, in which each country establishes National Banks committed to the physical development of its territory (infrastructure), and no longer continues the usurious system which today represses and impoverishes nations,” the LYM concluded.

## Hullabaloo!

No press bothered to report the LYM statement, but their intervention sure caught the national attention. While several media attempted to scandalize the disruption, some truth broke through. Televisa’s lead news program showed a clip of a LYM member charging that Calderón’s “project, the reforms, aim to destroy the nation-state.” *Excelsior* identified LaRouche as “an economist known for his fight for a ‘new just world economic order.’” The major national leftist daily, *La Jornada*, summed up how the LYM had ruined Calderón’s party:

“What appeared to be a self-styled event for the PAN Presidential candidate Felipe Calderón Hinojosa, meeting

with the youth of his party, became complicated. A dozen *LaRouchistas* came up to the bleachers of the Olympic-sized Juan de la Barrera gymnasium, carrying posters that questioned his economic policy and called him ‘fascist. . . .’ Calderón had just a few brief minutes with the microphone in his hand . . . when the *LaRouchistas* hoisted two megabanners over their heads, which carried their messages: ‘Under the PAN, Mexico will bend over’; ‘Juárez said it: Listen well, Calderón: Traitors to the country will be sent before the firing squad!’ . . . and ‘Bread and circuses are the same’ [*pan* is the Spanish word for ‘bread’—ed.] . . .”

## Setting the Agenda

Not satisfied with the media’s simplification and distortion of their intervention, the LYM issued a second press release on April 25, clarifying who Lyndon LaRouche is, and the intention of their movement to educate Mexicans as to the real issues before the nation, over which they intend now to force a debate amongst the youth:

“1. Lyndon LaRouche is an American economist who has been fighting from the U.S. for decades, against the idea that human beings are animals. This is the idea which today places us in a situation internationally similar to that of Hitler’s Germany during the 1930s; the economic austerity programs reflect the mental and moral state of the politicians. That is the central issue which LaRouche seeks to change; that it be understood that the human being is not a beast, but is a creative being who must develop. If a nation lacks technological, cultural, and intellectual resources, the population is reduced to a bestial condition.

“2. We are a movement of young adults, which denounces worldwide all attempts to destroy the idea of the sovereign nation-state. We are organizing the population around the idea of returning to what the founding fathers did for their nations, giving ourselves the right to life, liberty, and the pursuit of happiness. As young citizens of Mexico and of the world, we oppose any effort that goes against the idea of the general welfare and development.

“3. That is why we are also proposing to change political and economic direction internationally; to build great infrastructure projects, such as dams, highways, nuclear plants, hospitals, schools, etc., as a means of guaranteeing employment and the future of coming generations. We are opposed to privatization and the projects proposed by members of the PAN.

“4. The way to guarantee the above, is to return to the policy promoted by José López Portillo: investment through national banks and credit issued by the state.

“5. But it must be understood that without a change of the world financial system, no local policy will go beyond good intentions. That is why LaRouche’s battle to revive certain aspects of what was the Bretton Woods system is of such importance, as well as his battle against the fascist policies of the Dick Cheney and George W. Bush government.”

# International Intelligence

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## ***Iraq Crisis Is Much Worse Than Reported***

Despite Prime Minister Jawad al-Maliki's pledge to put together a cabinet within two weeks, Iraq is in the throes of civil war, said a Continental European military expert, in an April 24 discussion with *EIR*. Contrary to figures printed in the mass media, the number of attacks (bombings, killings, etc.) has risen to 120 *per day* in Baghdad alone. The Iraqi military and police are infiltrated by resistance forces. The saying goes: "In the daytime, the army, at night with the resistance."

There are 11 different militias involved in sectarian fighting: in addition to the well-known Badr Brigades of the SCIRI, Moqtadar al-Sadr's Mehdi Army, Chalabi's personal militia and the Kurdish Peshmerga, there are 7 other militias organized along ethnic/religious sectarian lines.

This expert's recommendation is that the United States cease providing all weapons supplies and training to the Iraqis, until a government comes in that is capable of exerting control over the armed forces. He said the UN should get a mandate, and send peacekeeping troops in from countries which the Iraqis would accept. The U.S. troops should redeploy to border areas to secure them.

Regarding foreign troop deployments, he said he thought the Poles would stay, because they will get F-16s in return. The Brits, if their engagement in Afghanistan is enhanced as planned, will have to cut back on troops in Iraq. Currently they have 8,000 there, plus 2,000 in Kuwait.

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## ***Kurdish Insurgents in Iraq Attack Iran and Turkey***

The Turkish military has deployed an additional 40,000 troops into its southeast to reinforce the 250,000 troops already there, because of an increase in incursions by the Kurdish Workers Party (PKK). The incursions and infiltration of PKK terrorists, the Turks claim, are responsible for a rise in ter-

rorist attacks in the last several months, especially a series of bombings in Istanbul. "The PKK is trying to send half of its 4,900 militants based in northern Iraq here, and preparing for attacks in Turkey's cities," a Turkish official told the *Turkish Daily News* April 22.

Turkey is unhappy that Washington has done little to prevent the Kurdish attacks into its territory, or pressure the Iraqi Kurdish authorities who control the area. Meanwhile, the Bush Administration expresses frustration at the failure of Syria to patrol its border with Iraq.

Iranian Kurdish guerrillas also crossed into Iran from northern Iraq on April 21: "This morning Iranian Kurdish fighters infiltrated the border into the Iranian side and the Iranian army bombed the area and repelled them. The shelling hit the Iraqi land at Sidakan," said Saadi Pira, an official of the Iraqi Patriotic Union of Kurdistan, according to Reuters on April 21.

U.S. and Israeli special forces, allied with the Kurdish authorities in northern Iraq, are operating in this area, especially against Iran, according to numerous intelligence sources.

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## ***Ibero-American Presidents Try To Calm Rifts***

The Presidents of Brazil, Argentina, Venezuela, and Colombia met in various bilateral and trilateral combinations the last week of April in Brazil, both to further a number of integration initiatives and to try to get a handle on a growing number of regional conflicts—all of them triggered in one way or another by the international financial crisis—that endanger those integration efforts.

Most immediate is the threatened rupture of the nearly 40-year-old Andean Community of Nations, which includes Colombia, Venezuela, Peru, Bolivia, and Ecuador. Venezuela's Hugo Chavez announced this week that he was pulling his country out of the pact, which he labelled "dead" because of "unilateral decisions" by both Colombia and Peru to sign bilateral Free Trade Agree-

ments with the United States. Chavez offered to stay within the pact if Colombia and Peru pulled out of the FTAs, which both governments refused. Bolivian President Evo Morales proposed an Andean presidential summit to address the crisis, which Uribe has so far enthusiastically endorsed. Before Colombian President Alvaro Uribe's meeting with Brazilian President Lula, his Foreign Minister Carolina Barco suggested they might ask Brazil's Lula to mediate in the Andean brawl.

The other major regional trade pact, Mercosur—which includes Brazil, Argentina, Paraguay, Uruguay, and its newest associate member, Venezuela—is also disrupted by the still-unresolved brawl between Argentina and Uruguay over the latter country's plans to build two pulp mills on the river bordering the two countries. Both Uruguay and Paraguay are reportedly seeking bilateral Free Trade Agreements with Washington, as well.

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## ***NASA To Discuss Space Cooperation in China***

Testifying April 25 before the Science and Space Subcommittee of the Senate Committee on Commerce, NASA Administrator Mike Griffin responded to Sen. Bill Nelson's query about cooperation with China by replying, "China is, as we are, a great nation." China has "offered an opportunity for me to visit with them," he continued, to discuss space cooperation. "I think the U.S. has always benefitted from discussions," he said, adding that President Bush "requested me to make this trip." Griffin added: "Who would have imagined 20 years ago that our best partner on the space station is Russia."

An official from China's National Space Agency extended the invitation to Griffin to visit China in September, when the official was in Washington in April. Space cooperation was also on the agenda when Chinese Premier Hu Jintao met with Bush April 20 at the White House.

This first positive response from the Administration on space cooperation with China follows concern on Capitol Hill that



**SENIORITY** breaks ranks, calling for troop withdrawal from Iraq. Michael Ancram, the Tory shadow Foreign Secretary, called for British troops to withdraw from Iraq, which Ancram said is now in "civil war," before they become "part of the problem," according to *The Guardian* April 21. Ancram added that his original decision to back the war in 2003 was a mistake.

**THE VIETNAMESE** National Coal and Mineral Industries (Vina-comin) held talks on April 26, in Quang Ninh province, with Japanese economic groups such as NEDO, JICA and JCOAL, about the construction of thermal power plants near coal mining areas, and about promoting the export of high-quality coal to major markets, particularly to Japan. In 2005, Vietnam produced 31.4 million tons of coal, of which 14.7 million were exported to Japan.

**RUSSIA** has delivered enriched uranium to India, according to the April 26 *India Daily*, for two General Electric-built boiling-water reactors based in Tarapur, near Mumbai. A "senior U.S. official," who did not want to be identified, said "this kind of activity should not take place in our view," and wanted to be assured that the fuel remains in storage, adding that "the United States has asked India to refrain from using the fuel. . . ."

**PRIME MINISTER** Ehud Olmert of Israel's Kadima Party reached a coalition agreement with the Labor Party, to form the backbone of a new government. The Labor Party is to get seven cabinet posts, with its leader Amir Peretz becoming the Defense Minister. Peretz is the only prominent Israeli leader who stands in the tradition of the murdered Yitzhak Rabin, in the effort for peace with the Palestinians. The Pensioners Party of Rafi Eitan will also become part of the government, as well as the Shas Party and the Orthodox United Torah Judaism Party.

with China planning its first unmanned probe to the Moon for next year, and its announced three-phase lunar exploration program, including manned landings around 2017, American astronauts may not be alone when they arrive there at about the same time. The announced visit is also a response to the lobbying done by the bipartisan U.S.-China Working Group in the Congress, which recently visited Chinese space facilities, and has proposed that China's Shenzhou spacecraft be modified to be able to dock with the International Space Station or other U.S. craft. Cooperation would likely start with the flight of American instruments on Chinese science satellites, or vice versa, similar to the flight of a U.S. instrument which will be on India's lunar probe.

## **Russians Protest Jamestown Foundation**

The month of April has witnessed a number of frosty official statements by Moscow and Washington, aimed at each other, in addition to Russia's rejection of U.S. demands to clear out of Iran's Bushehr nuclear project, according to *EIR* analysts. On April 18, U.S. Ambassador William Burns was called in by a Russian deputy foreign minister to receive an official protest against a conference on Chechnya, held by the neo-con think tank, the Jamestown Foundation, on April 14. Moscow charged that the event, titled, "A. Sadullayev's Caucasus Front and the Prospects for a New Nalchik" (a reference to the October 2005 raid on that city in Kabardino-Balkaria), had "provided a tribune for calls to carry out new terrorist acts on Russian territory." The occurrence of such meetings, said the statement, contradicts the U.S.A.'s international obligations to fight terrorism, and undermines the U.S.-Russia partnership in the anti-terrorism effort in other areas.

From the U.S. side, on April 19 Undersecretary of State Nicholas Burns announced that the United States will seek to put on the agenda of the July Group of 8 summit in St. Petersburg, "issues pertaining to conflicts very close to Russia's border,"

including events in Belarus, Georgia, Moldova, and Nagorno-Karabakh (Armenia/Azerbaijan).

George W. Bush's Rose Garden provocation that the use of nuclear weapons to attack Iran is not "off the table," has received wide coverage in Russia.

## **German-Russian Summit Leads to Agreements**

German-Russian talks in Tomsk April 26-27 led to numerous agreements signed between the ten cabinet ministries, according to press accounts. Three agreements in the economic-financial sphere are worth special mention:

1. Cooperation in the exploration of, and establishment of production at, the Yushno Russkoye natural gas field, by Russia's Gazprom and Germany's BASF-Wintershall firms. The gas field, said to be one of the world's largest, is in the Yamal-nenets region of Siberia. The production capacity is to be 25 trillion cubic meters a year. The gas will be pumped into the new North European Gas Pipeline beginning in 2010.

This deal is not only the first in which a western company is granted access to a strategic resource field in Russia; it also involves an asset swap, which makes BASF's Wintershall subsidiary a substantial shareholder in the venture, and makes Gazprom a substantial shareholder in BASF's Wingas subsidiary, which operates gas pipeline grids in Germany, and through partnerships, also in other western European states.

2. Cooperation between German Railways and Russian Railways, through a joint venture for the promotion of cargo transit between Asia and Europe, via the Transsiberian Railroad.

3. Cooperation in the financing of development projects (public and private) inside Russia, notably in Siberia, between Russia's Mezheconbank, Roseksimbank, National Development Bank, and Germany's KfW (Kreditanstalt für Wiederaufbau) Bank. Deutsche Bank signed an agreement on cooperation with National Development Bank, as well.

# National News

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## Support Grows for Conyers' Health Bill

House Resolution 676, "U.S. National Health Insurance Act of 2005," introduced by Rep. John Conyers, Jr. (D-Mich.), is gathering support from city councils around the country. (See last week's *EIR* for Lyndon LaRouche's endorsement of this bill, which would ensure that all citizens have needed medical treatment.)

City councils that have passed resolutions endorsing H.R. 676 include Baltimore, Maryland; Erie, Pennsylvania; and Moorehead, Kentucky. In January, the Kentucky House of Representatives Committee for Health and Welfare voted up a measure calling on Congress to pass the bill.

Of the 68 current Congressional backers, 6 had signed up as of February, when the bill was officially filed. Among the many union endorsements are those of the United Auto Workers, United Mine Workers, United Steel Workers of America, and the Service Employees International Union.

A 2003 Indiana University poll reported that 49% of doctors support legislation to establish national health insurance. Dr. George Alexander, director of the National Association of Public Health Workers, is an outspoken proponent. A support group, Physicians for a National Health Program, has seen its membership rise from 10,000 to 14,000 in recent years.

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## Ohio Clergy Ask IRS To Probe GOP Theocrats

Fifty-six Ohio ministers and rabbis have signed a complaint to the U.S. Internal Revenue Service, documenting the blatant use of two rightist churches as action arms for the 2006 gubernatorial campaign of Ohio Secretary of State J. Kenneth Blackwell (R). The April complaint amplified one filed by 31 clergymen in January, which the IRS ignored.

The complainants are well aware that their initiative targets a nationally crucial capability of the Cheney-Rove circles. The World Harvest Church (Columbus, Ohio),

under Pastor Rod Parsley, and Fairfield Christian Church (Lancaster, Ohio) under Pastor Russell Johnson, previously partnered with Blackwell. They and he herded voters for Bush in 2004 on anti-homosexual demagoguery, while Blackwell ran the Bush campaign and oversaw the Ohio vote theft as Secretary of State. An African-American board member of the Jewish Institute for National Security Affairs (JINSA), Blackwell is a favorite of the apparatus backing Dick Cheney.

The complaints cite the actions of the two churches, and of tax-exempt, blatantly political affiliates they have set up, in providing a platform for Blackwell and no other candidate of either party for Ohio governor, in mobilizing voters behind Blackwell's campaign, and building a network of "Patriot Pastors"—the latter a far-right political venture run by Paul Weyrich and James Dobson.

Specifying violations of IRS code and Treasury rules, which prohibit direct church candidate-advocacy (beyond issue-advocacy), the complaints seek taxes and injunctions against the theocrats.

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## DLC Think-Tank: No More 'New Deal' Dems

The Progressive Policy Institute, a think-tank of the Democratic Leadership Council (DLC), released a study on April 25, which demands that Democrats shed any vestige of the legacy of Franklin D. Roosevelt and his New Deal. The study, by "labor economist" Stephen Rose, is titled "The Trouble With Class-Interest Populism," and is available at [www.ppionline.org](http://www.ppionline.org).

Rose contends that what he calls economic populism and class warfare don't work anymore, because "people no longer choose candidates primarily on the basis of 'pocketbook' issues, as they did when the New Deal coalition dominated national politics."

Rose acknowledges the impact of rising health care and college tuition costs, and that companies are shedding health and pension costs, but nevertheless asserts: "In the post-industrial economy, the great question is how government can equip workers with the new tools for economic success, not how

government can insulate them from the rigors of competition or restrain business power."

The Democratic Party should "modernize" its economic and social programs, and offer an agenda that speaks to America's middle class and "office dads," not the disappearing working class, Rose insists.

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## Murtha Rejects 'Military Option' Against Iran

Rep. John Murtha (D-Pa.), the outspoken critic of the Bush Administration's war in Iraq, reiterated his call for withdrawal from Iraq during an appearance at the World Affairs Council of Pittsburgh, and his call for the resignation of Donald Rumsfeld, the *Pittsburgh Post-Gazette* reported on April 21. He continued to warn of the strain on the Army caused by the Iraq deployment. "It would be almost impossible for the U.S. to meet the current military strength deployment schedule without sending combat units back to the theater with less than one year of rest," he said. "We have no strategic reserve; that is, the Army could not sustain a major second-front deployment."

As for the prospects of military action against Iran, he said, "It's not going to happen. I do not believe we have the conventional capability. We can't even sustain the deployment in Iraq." He further said that the likely targets in Iran could not be destroyed with conventional weapons without repeated air strikes, and should the United States use nuclear weapons, "there'd be a worldwide anger at the United States. . . . There'd be more and more terrorism, and the terrorism would be directed at us."

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## Harper's Reports on Growing Dissent at CIA

The "revolt of the generals" within the military against the war policy of the Bush-Cheney Administration, is being matched by growing antagonism to the Administration and its tactics within the CIA, the *Harper's Magazine* Blog reports, in an article by Ken

**LAROCHE PAC** has released a new DVD, "Retool Auto To Rebuild the Nation." Slightly over an hour in length, the DVD features historical footage, such as FDR's buildup of the "Arsenal of Democracy"; animations of the current crisis; and interviews with trade union officials of the auto and tool-and-die industries.

**GEN. JOHN BATISTE** (ret.), appearing on CBS's "Face the Nation" on April 23, scored Secretary of Defense Donald Rumsfeld's "contemptuous attitudes, dismissive behavior, arrogance" towards the military. Speaking of the decision to disband the Iraqi Army, he said, "As General [Colin] Powell has said, when you break it, you own it. There was no surprise with that insurgency. Anyone who has read a little bit of history of Iraq would have anticipated that."

**SEN. PATRICK LEAHY** (D-Vt.) has written a letter to Attorney General Alberto Gonzales, seeking details on the Bush-Cheney Administration's role in pushing the provision in the House immigration bill to criminalize undocumented immigrants.

**REP. GEORGE MILLER** (D-Calif.), the ranking Democrat on the House Committee on Education and the Workforce, has started an e-hearing on reversing the raid on student aid. He is asking for testimony from students and experts in the education field. Congressman Miller and Sen. Richard Durbin (D-Ill.) have put forward a bill to halve the interest rates charged for student loans, from 6.8% to 3.4%.

**REPUBLICAN** Congressmen and poultry officials alike have attacked the U.S. Department of Agriculture's response plan for bird flu, *Insurance Journal* reported on April 21. Rep. Michael Castle (R-Del.) called a public meeting in his state and ridiculed the plan for putting no resources into surveillance and containment of the disease. Bill Satterfield, executive director of Delmarva Poultry Industry, Inc., agreed.

Silverstein on April 19. The unrest comes from CIA officers who fear subpoenas and indictments coming, and don't want to get caught up in it.

A former senior CIA officer says there "seems to be a quiet conspiracy by rational people" at the agency to avoid involvement in some of the particularly nasty tactics being employed by the Administration, especially the "extraordinary rendition" program, under which the CIA sends terrorist suspects abroad to be questioned in countries where torture is commonplace. The source says, concerning the split at the CIA: "There's an SS group within the agency that's willing to do anything, and there's a Wehrmacht group that is saying, 'I'm not gonna touch this stuff.'"

Lawyer Scott Horton told Harper's that he's also hearing stories of growing dissent at the CIA. "When the shit hits the fan," he said, "the administration scapegoats lower-level people. It doesn't do a lot in terms of inspiring confidence."

A legal source told *EIR* that it's not yet a full-blown rebellion at CIA, and described it as very much centered on the "extraordinary rendition" program—sort of a "sick-out," in which officers are coming up with reasons why they can't work on the program.

## Private Contractors Curbed in Iraq

U.S. Commander in Iraq Gen. George Casey issued an order acknowledging and "ending" private military contractor (PMC) abuses, including the international crime of human trafficking, the *Chicago Tribune* and *Baltimore Sun* reported April 24. Particularly under fire is Halliburton's subsidiary KBR. Casey's order was forced by a State Department intelligence investigation of the PMC abuses.

*EIR* featured the PMCs in an April 7, 2006 cover story, "Halliburton's War."

Casey ordered that contractors by May 1 return passports to all the foreign workers they have taken them from; seizing workers' passports to effectively imprison them in Iraq is a violation of international law against human trafficking. Halliburton's KBR was found to be the biggest violator,

being by far the biggest contractor. Of its 48,000 workers in Iraq, 35,000 are neither American nor Iraqi; in addition, its 200 subcontractors, including many labor recruiters, include dozens from Middle Eastern countries which have been cited by the United States and the United Nations for violating human-trafficking and other laws.

Casey's order promises "harsh actions" if firms do not return passports, give all workers signed contracts at all subcontracting levels, and stop cramming employees into living spaces of less than 50 square feet, among other abuses. However, the order appears to apply only to contracts from the point of its issuance, forward, according to the *Baltimore Sun* report.

## Wilkerson Hits 'Jacobin' Policies

Col. Lawrence Wilkerson (ret.), former aide to Secretary of State Colin Powell, wrote an op-ed in the *Baltimore Sun* on April 24, entitled "Is U.S. Being Transformed Into a Radical Republic?" "In January 2001," he wrote, "with the inauguration of George W. Bush as President, America set on a path to cease being good; America became a revolutionary nation, a radical republic. If our country continues on this path, it will cease to be great—as happened to all great powers before it, without exception." Identifying how the Bush Administration "in the name of fighting terrorism, has put America on the radical path to ruin," he denounced the "unprecedented interpretation of the Constitution that holds the President as commander in chief to be all-powerful and without checks and balances marks the hubris and unparalleled radicalism of this administration."

He attacked Richard Perle as "head theoretician for the neo-jacobins," pointing out that "it was Mr. Perle and people such as he who put us where we are today, not the terrorists of 9/11. . . . People such as Mr. Perle do not represent the bulk of Americans, who are anything but radical. Instead they represent the Robespierres and Napoleons of this world, the neo-jacobins of today. Robespierre was a leader of the reign of terror."

## The Beauty of Completing The Nuclear Fuel Cycle

*The U.S. pioneered the full nuclear fuel cycle, but gave it up in the 1970s, following a Ford Administration policy written under the direction of Dick Cheney. Marjorie Mazel Hecht reports.<sup>1</sup>*

It would take 2 million grams of oil or 3 million grams of coal to equal the power contained in 1 gram of uranium fuel.<sup>2</sup> Unlike oil and coal, nuclear fuel is recyclable and, in a breeder reactor, can actually produce more fuel than is used up! For these reasons, nuclear energy is by far the best means now available to power a modern industrial economy.

Nuclear power is a gift to humanity, and only the propaganda of Malthusian extremists, dedicated to stopping human progress and reducing the world's population, has created public fear and skepticism.

The best way to overcome irrational fear is through knowledge. To this end, reviewed here is the process by which natural uranium ore is turned into fuel for a nuclear reactor, how it is used, and how it can be recycled, such that the reader will come to understand that there is really no such thing as nuclear "waste."

### The Nuclear Fuel Cycle

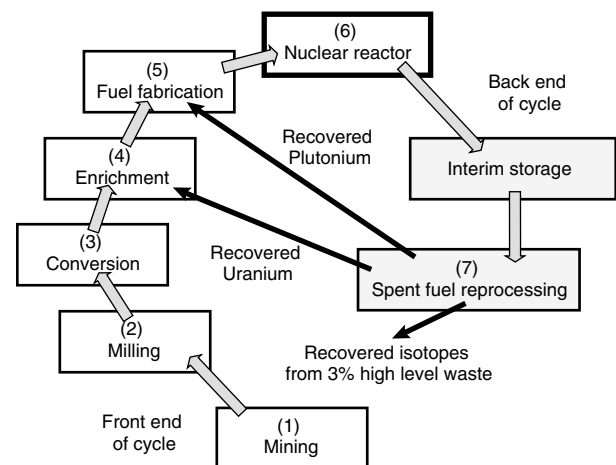
To understand the "renewability" of nuclear fission fuel, we have to look at the complete fuel cycle. At the beginning

1. Reprinted from *21st Century Science & Technology*, Winter 2005-06. See [www.21stcenturysciencetech.com](http://www.21stcenturysciencetech.com).

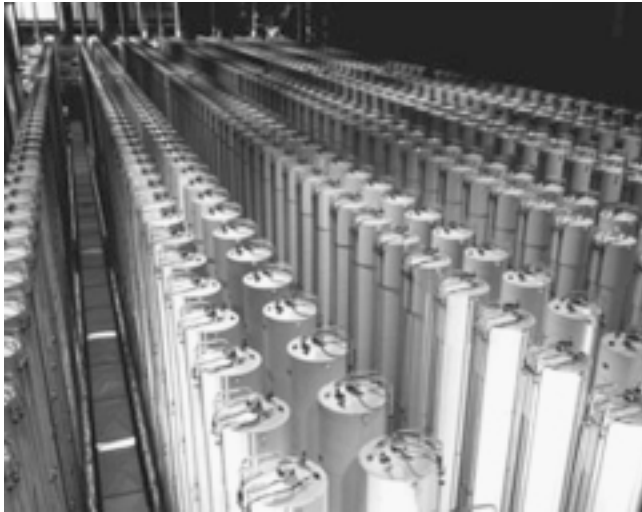
2. The energy density of nuclear can be seen by comparing fission fuel to other sources. In terms of volume of fuel necessary to do the same amount of work, a tiny pellet (1.86 grams) of uranium fuel equals 1,260 gallons of oil, or 6.15 tons of coal, or 23.5 tons of dry wood. This means that nuclear is 2.2 million times more energy dense than oil, and 3 million times more energy dense than coal. Thermonuclear fusion will be even orders of magnitude more energy dense. These calculations were based on the work of Dr. Robert J. Moon in 1985.

of the nuclear age, it was assumed that nations would complete the fuel cycle—including the reprocessing of spent nuclear fuel from reactors, to get as near to 100% use of the uranium fuel as possible. Here we very briefly review the

### Completing the Nuclear Fuel Cycle



*The full nuclear fuel cycle shows that nuclear is a renewable energy source, because the spent fuel can be reprocessed to recover unburned uranium and plutonium that can be fabricated into new reactor fuel. At present, the U.S. nuclear cycle is "once through," going from spent fuel to interim storage and then longer-term storage.*



DOE

*An overhead view of rows of centrifuge units at a U.S. enrichment plant in Piketon, Ohio.*

seven steps of this cycle. Keep in mind that the brevity of description leaves out details of the complex chemical processes, which were initiated during the Manhattan Project and are still being improved on.

1. First, natural uranium is mined. There are enough sources of uranium worldwide for today's immediate needs, but once we begin an ambitious nuclear development program (to build 6,000 nuclear reactors in order to provide enough electricity to bring the entire world population up to a decent living standard), we would have to accelerate the development of fast breeder nuclear reactors, which produce more fuel than they consume in operation.

2. Next, the uranium is processed and milled into uranium oxide ( $U_3O_8$ ), called yellowcake, which is the raw material for fission fuel. Yellowcake became infamous in the political fabrication that Saddam Hussein's Iraq was trying to import yellowcake from Niger, in order to use it for bomb-making.

It is basically natural uranium ore, which is crushed and processed by leaching (with acid or carbonate) to dissolve the uranium, which can then be extracted and concentrated to 75% uranium, in combination with ammonium or sodium-magnesium.

3. The concentrated uranium is then converted into uranium hexafluoride ( $UF_6$ ), which is heated into a gas form suitable for enrichment.

## Uranium Enrichment

4. Natural uranium has one primary isotope, U-238, which is not fissionable, and a much smaller amount of U-235, which fissions. Be-

cause most uranium (99.276%) is U-238, the uranium fuel must go through a process of enrichment, to increase the ratio of fissionable U-235 to the non-fissionable U-238 from about 0.7% to 3 to 4%. (Weapons uranium is enriched to about 93% U-235.)

The technology of enrichment was developed during the World War II Manhattan Project, when the object was to create highly enriched uranium (HEU) to be used in the atomic bomb. Civilian power reactors use mostly low-enriched uranium (LEU). (Canada has developed a type of reactor, the CANDU, which uses unenriched, natural uranium in combination with a heavy water moderator to produce fission.)

The gaseous diffusion method of enrichment, which is still used by the United States, was developed under the Manhattan Project. Uranium hexafluoride gas is pumped through a vast series of porous membranes—thousands of miles of them. The molecules of the lighter isotope (U-235) pass through the membrane walls slightly faster than do the heavier isotope (U-238). When extracted, the gas has an increased content of U-235, which is fed into the next membrane-sieve, and the process is repeated until the desired enrichment is reached. Because the molecular speeds of the two uranium isotopes differ by only about 0.4%, each diffusion operation must be repeated 1,200 times.

The Manhattan Project devised this method of gaseous diffusion with incredible speed and secrecy. It was not finished in time to produce all the uranium for the uranium bomb dropped on Japan, but it produced most of the enriched ura-



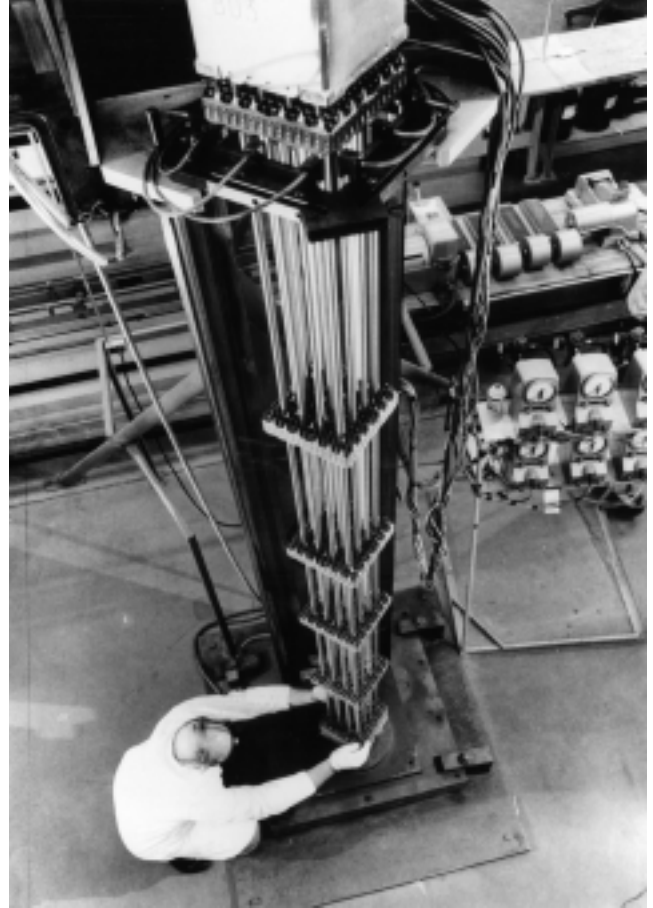
Frank Hoffman/DOE

*The huge Gaseous Diffusion Plant in Oak Ridge, Tenn., the first such facility in the world. The U-shaped building, constructed during the Manhattan Project, began operating in 1945. Later, the facility was expanded to produce enriched uranium for plants around the world.*



U.S. AEC

*A cylinder of uranium hexafluoride enriched in U-235 is readied for shipment to a conversion facility, where it will be converted to uranium dioxide for use in fuel rods. The cylinder weighs 2.5 tons.*



Westinghouse Photo

*A partially completed nuclear fuel assembly. The long tubes guide the control rods in the reactor, which regulate its operation. The grids that hold the guide sheaths also align the fuel rods containing uranium pellets. When the fuel rods are inserted through the grids, parallel to the guide sheaths, the fuel assembly will be completed.*

mium for the civilian and military programs in subsequent years. Although a successful method, it required a tremendous amount of energy and a huge physical structure to house the “cascades” of separate membranes. Four power plants were built in Oak Ridge, Tenn., to power the process, producing as much electric power as the consumption of the entire Soviet Union in 1939! Almost all the power consumed in the diffusion process is used to circulate and compress the uranium gas.

Technological pessimists take note: At the time the gaseous diffusion plant was being built, scientists had not yet figured out how to make a membrane to be used in the process—but they did it in time to make it work!

The centrifuge system, used in Europe and Japan, is 10 times as energy efficient. The strong centrifugal field of a rotating cylinder sends the heavier isotope in uranium hexafluoride to the outside of the cylinder, where it can be drawn off, while the U-235 diffuses to the inside of the cylinder. Because of the limitations of size of the centrifuge, many *thousands* of identical centrifuges, connected in a series called a cascade, are necessary to produce the required amounts of enriched uranium.

A centrifuge plant requires only about 4% of the power

needed for a gaseous diffusion plant, and less water is needed for cooling.

Other methods of enrichment are possible—electromagnetic separation, laser isotope separation, and biological methods.

### **Fabrication Into Fuel Rods**

5. Once the enriched uranium is separated from the depleted uranium, it is converted from  $UF_6$  into uranium dioxide and fabricated into uniform pellets. The pellets are loaded into long tubes made out of a zirconium alloy, which captures very few neutrons. This cladding prevents the release of fission products and also transfers the heat produced by the nuclear fission process in the fuel. The fuel is then transported to the reactor site.

Different types of reactors require different designs of fuel rods and fuel bundles. In a light water reactor, the fuel

rods are inserted into the reactor to produce fission, which creates steam, which turns a turbine that creates electricity.

The fuel for the next-generation high-temperature gas-cooled reactors is different: The enriched uranium is formed into tiny “pebbles” which are coated with graphite and special ceramics that serve as individual “containment buildings” for the fuel pebbles.

6. Fuel rods are used for about four and a half years before replacement, and usually a reactor replaces about a third of its fuel at one time. The fuel is considered spent when the concentration of fissile uranium-235 becomes less than 1%. When removed from the reactor, the spent fuel is put into cooling pools, which shield it as its short-lived nuclides decay. Within a year, the total radioactivity level is only about 12% of what it was when the fuel rod came out of the reactor.

At present, the United States does not reprocess spent fuel, and so the spent fuel rods sit in cooling pools at the reactor. After the spent fuel has cooled, it is stored in dry casks, waiting—for “burial” or reprocessing.

But the spent fuel is not “waste”! It contains between 90 and 95% of usable uranium, that can be separated out and recycled into new fuel, and it also contains a smaller amount—about 1%—of plutonium, a fuel for breeder reactors.

## Reprocessing

7. Now for the remarkable *renewability* of nuclear fuel. The spent fuel from a single 1,000-megawatt nuclear plant, operated over 40 years, is equal to the energy in 130 million barrels of oil, or 37 million tons of coal. Why bury it? Extract it and process it into new fuel. Short-sighted policymakers (discussed below) decided in the 1970s, for no good reasons, that it was preferable to prevent the full use of this potential by burying the spent fuel in a once-through cycle.

The reprocessing method that was successfully used in the United States at the Savannah River facility in South Carolina for military purposes, is just as efficient for civilian spent fuel. Spent fuel rods are processed to remove the highly radioactive fission products, and separate out (partition) the fissionable U-235 and plutonium.

This plutonium could be directly used as fuel for breeder reactors, which was the intention of the completed fuel cycle. It can also be used to make mixed-oxide fuel, or MOX, which some of today’s reactors are being converted to burn as fuel. (Thirty-five reactors in Europe now use MOX fuel.)

The reprocessing facilities at Savannah River were called



Nuclear Materials and Equipment Corporation

*In this 1964 photo, laboratory technicians work in glove-boxes to remotely fabricate plutonium fuel elements.*

“canyons” because they were tall, narrow buildings. The spent nuclear fuel was handled remotely by technicians who were behind protective walls. This was large-scale industrial processing, which was entirely successful, safe, and safeguarded.

Once the uranium was separated out, it was sent to another building at Savannah River to be fabricated for weapons use. The remaining amount of highly radioactive fission products—a tiny fraction of the spent fuel—was set aside for vitrification and storage. Today, the technologies exist, or could be developed, to extract valuable medical and other isotopes from this 3% of high-level waste. Virtually all of the spent fuel could be made usable.

U.S. civilian spent fuel could be reprocessed in a similar fashion using the Savannah River model—or by new technologies still to be developed.<sup>3</sup> Right now, Britain, France, Russia, and India reprocess civilian spent fuel, using the Purex method (which stands for Plutonium Uranium Extraction), and Japan has a commercial reprocessing plant now in a testing start-up phase. Other nuclear nations send their spent fuel to Britain or France for reprocessing, or they store it. China reprocesses military spent fuel.

## Who Opposes Reprocessing?

Reprocessing makes the antipopulation faction very nervous, because it implies that nuclear power will continue to

3. The U.S. Congress in the 2005 Energy Act included \$50 million for research on new reprocessing methods.



E.I. DuPont DeNemours & Co.

A 1972 photo of high-level waste storage tanks in construction at DOE's Savannah River Plant in South Carolina. The tanks are built of carbon steel, surrounded by concrete encasements 2 to 3 feet thick, set about 40 feet in the ground and then covered with dirt. Shown are the steel tanks before concrete encasement. Each tank has a capacity of from 750,000 to 1,300,000 gallons.

develop as a source of electricity, and with a cheap and clean source of power, there are no limits to growth. Malthusians and other alarmists rant about the “dangers of proliferation,” but if you poke them, what they are really concerned about is the potential for nuclear energy to expand, and population and industrial development to grow.

The overt arguments against reprocessing are mostly scare tactics: Permitting U.S. reprocessing will make it easier, they say, for “bad guys” to build bombs—or dirty bombs. This is the gist of the objection, although it may be posed at length in more academic (and tedious) language.

But this argument is one based on fear—fear that an advanced technology can never be managed properly, and fear that we will never have a world where there aren't “bad guys” who want to bomb us. It is the opposite of the Atoms for Peace philosophy.

In fact, if one is truly worried about diversion of plutonium, why not burn it to produce electricity, instead of letting it accumulate in storage? And as Savannah River manager William P. Bebbington, a veteran of the Manhattan Project, wrote in a landmark 1976 article on reprocessing, “Perhaps our best hope is that someday plutonium will be more valuable for power-reactor fuel than for weapons, and that the nations will then beat their bombs into fuel rods.”<sup>4</sup>

A second objection is that reprocessing is not “economical”; it is cheaper to have a “once through cycle” and discard the spent fuel. But the cost/benefit basis on which such eco-

4. “The Reprocessing of Nuclear Fuels” by William P. Bebbington, *Scientific American*, December 1976, pp. 30-41.

nomics are calculated is a sham. What is the cost of *not* reprocessing—in terms of lives lost and society not advancing? And what about the cost of the storage of spent fuel—not to mention the still unused U.S. storage facility at Yucca Mountain, Nevada, which has become a costly political and emotional football.

The “proliferation” argument was key in 1976 in stopping U.S. reprocessing. Fear was fed by the idea that reprocessing would make more plutonium available, which could be diverted by “rogue” nations or groups to make clandestine nuclear weapons. President Ford, the incumbent, carried out a secret study, and issued a nuclear policy statement on Oct. 28, 1976, just five days before the election, which advocated an end to reprocessing.

Jimmy Carter, who won that election, then carried out the policy to stop U.S. reprocessing; and the next President, Ronald Reagan, sealed the lid on the fuel-cycle coffin with the idea of “privatizing” both reprocessing and breeder reactors.

The full story of how reprocessing was stopped still has to be told. But the ending of the story is clear: The United States shot itself in the foot—twice: 1) The United States stopped an important technology, which this country had pioneered, and 2) the U.S. anti-reprocessing policy did *absolutely nothing* in the rest of the world to stop other countries from developing the full nuclear fuel cycle, or desiring to.<sup>5</sup>

Interestingly, the Ford Administration's policy in 1976, which advocated killing U.S. reprocessing for the same fallacious reasons that President Carter later elaborated, was written under the direction of Ford's chief of staff—Dick Cheney. And one of the key reports supporting Carter's ban on reprocessing was written by the mentor of the leading neo-cons in the Bush Administration, Albert Wohlstetter, then a consultant to the Department of Defense.

Once the political decision is taken to begin an ambitious nuclear construction program, reprocessing—both Purex and new technologies—will follow.

### For Further Reading

Scott W. Heaberlin, *A Case for Nuclear-Generated Electricity . . . or why I think nuclear power is cool and why it is important that you think so too* (Columbus, Oh.: Battelle Press, 2004).

Alan Waltar, *Radiation and Modern Life* (Amherst, N.Y.: Prometheus Books, 2004).

See also: <http://www.world-nuclear.org/education/education.htm> on the fuel cycle.

5. Commenting on President Carter's 1977 policy to shut down reprocessing and the Clinch River Breeder Reactor, Bernard Goldschmidt, a preeminent French nuclear scientist, who had studied with Marie Curie, wrote: “By this extraordinary and unique act of self-mutilation, an already declining American industry was to become paralyzed in two key sectors of future development, fuel reprocessing and breeder reactors, precisely the sectors in which the United States was already between 5 and 10 years behind the Soviet Union and Western Europe, in particular, France. . . .”



# How the World Has Changed

by Lyndon H. LaRouche, Jr.

April 26, 2006

On Thursday, April 20th, I issued my warning that, unless a drastic policy-change intervened, the world as a whole was now on the course toward a systemic monetary-financial collapse of a type comparable to that which was experienced by Weimar Germany during the second half of 1923.

That 1923 collapse in Weimar Germany was echoed on a broader scale by what became the Great Depression of the early 1930s. While the circumstances of the 1923 collapse in Weimar Germany played a significant role in causing the later 1929-1933 general depression, the latter depression was only a severe collapse within the system; it was not a collapse of the general system itself. The difference would be, that, this time, we are now faced with a general collapse comparable to what was the special case of a collapse in 1923 Germany; but, this time, what menaces us is a general collapse of the system, that on a global scale. This collapse would not be limited to one nation, or a few parts of the planet, but world-wide.

I projected September as the estimable limit at which such a general collapse of the present world system would occur: that is, unless fundamental reforms were introduced during the immediate months ahead. *Unless the present world system is suddenly and radically reformed*, a general breakdown-crisis of the entire world system were virtually assured.

To understand how this present catastrophe came about, we must first summarize the contrasting earlier case, of those principal changes in direction in our republic's economic policy, the which have occurred since Franklin D. Roosevelt assumed the duties of our U.S. President in early March 1933. These principal changes can be clearly distinguished and defined, as I proceed now to do here.

Firstly, on the day he entered office, Franklin Roosevelt was confronted with a collapse of our national economy by about half, which had occurred during the period since the 1929 stock-market debacle through the day Roosevelt assumed office. This collapse had numerous contributing causes in world affairs, but it was also a collapse caused by the policies followed by both Presidents Coolidge and Hoover; but, it was Hoover's own response to the 1929 stock-market col-

lapse, which produced the post-1929 collapse in the physical economy of the nation, over the period from that crash, up to President Roosevelt's inauguration.

Under Coolidge and Hoover, the U.S.A. had operated under a monetary-financial system which represented a new, profound deviation from the principles associated with our Federal Constitution. The New York financiers' center operated as both a rival and also a part of the monetary-financial system which came out of the post-World War I negotiations at Versailles. The philosophy of the U.S. government under these Presidents was far from as bad as we have experienced under President George W. Bush, Jr., but it was very bad, nonetheless.

Into this situation of 1929-1933 stepped President Franklin Roosevelt, steeped in the tradition of the economic policies of both our first Treasury Secretary Alexander Hamilton, and Hamilton's political ally, Franklin Roosevelt ancestor Isaac

Roosevelt. Roosevelt moved, immediately on assuming office, to move the republic's policy back into the U.S. constitutional tradition which Coolidge and Hoover had violated.

The most notable distinction of those changes in direction under President Franklin Roosevelt, is that the American System of political-economy, which is embedded in our Federal Constitution, defines the U.S. as an economic system entirely unlike those still prevalent in Europe today. Our constitutional system is a credit system of the type which implies that our leading banks would be operating under the kind of a national-banking system defined by the unique constitutional authority of the U.S. Executive branch. It would utter legal tender with the consent of the U.S. Congress. European monetary-financial systems, such as that of John Maynard Keynes' dogma, by contrast, are quasi-feudal systems, in which concerts of private financier interests, such as so-called "independent central banks," operate as the controllers of what are merely nominally sovereign governments.

Contrary to childish myths still popular in Europe and among ignorant people in our own nation, money has no intrinsic value. In our system, protective tariffs and comparable regulation are employed to regulate the effects of the circulation of lawful money in such a way as to prompt a system of

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## Editorial

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*“Franklin Roosevelt, guided by appropriate knowledge of our nation’s constitutional heritage, not only revived our national economy, but enabled us to ensure the defeat of an Adolf Hitler who would not have been defeated without the kind of economic policy which the Franklin Roosevelt Administration represented.”*

“fair trade,” as opposed to the quasi-oligarchical European systems of so-called “free trade.”

The second leading consideration which shaped the Franklin Roosevelt Administration from its beginning, is that Adolf Hitler had just been awarded dictatorial powers in Germany just a few days prior to Franklin Roosevelt’s inauguration. Franklin Roosevelt, guided by appropriate knowledge of our nation’s constitutional heritage, not only revived our national economy, but enabled us to ensure the defeat of an Adolf Hitler who would not have been defeated without the kind of economic policy which the Franklin Roosevelt Administration represented. That defeat of the Nazi aim for world empire was accomplished only because President Franklin Roosevelt’s policy was shaped, from the outset, by awareness of this looming threat from Europe.

However, a major change in direction of U.S. policy-shaping was already being introduced virtually moments after his death. Roosevelt’s successor, the Truman Administration, adopted Winston Churchill’s policy, by launching a conflict with what proved to be a capable Soviet adversary; at the same time, Truman eliminated or truncated, many of the ele-

ments, but scarcely all, of the Franklin Roosevelt economic policy. So, later, during the 1945-1965 interval, President Dwight Eisenhower warned, at the point of his leaving office, against the threat from within the U.S.A. represented by the build-up of what he called a military-industrial complex, the authors of what the Bush-Cheney-Rumsfeld Administration represents today, were the principal internal threat to our constitutional order then, as they are today.

This threat was expressed in such included forms as the so-called Congress for Cultural Freedom (CCF) and its sundry domestic- and foreign-based auxiliaries, whose intent was to clear the way for a later dictatorial order. The CCF and its auxiliaries should remind historians of the way in which the spread of sophistry in ancient Athens led Pericles’ Athens into that self-destruction of ancient Greek civilization which is known as the Peloponnesian War. Indicatively, the followers of Carl Schmitt and Professor Leo Strauss, who were leading exponents of the legacy of the Peloponnesian War’s Thrasymachus, are an essential part of the core of today’s representation of what President Eisenhower termed “a military-industrial complex.” Pro-Synarchist Felix Rohatyn’s current policies are an expression of that design for replacing a regular military defense as an institution of government, by a financier-controlled set of private armies, a privatization of the military function, as by the Crusader forces deployed by Venetian bankers, under the system dominating medieval Europe.

The cultural and related educational reforms promoted by the circles of such as Bertrand Russell and the CCF, have been the leading edge of corruption which erupted to the surface as what has been termed “the rock-drug-sex counterculture” of the “68ers.” The emergence of the white-collar “Baby Boomer” generation to young adulthood, as typified by the “68er” phenomenon, supplied essential impetus for what is recognized as a “post-industrial counterculture.”

That emergence of the “68ers” defines the third crucial cultural-paradigm shift in the economies of, most notably, the U.S.A. and western and central Europe.

Culturally, the pronounced “anti-blue collar” outlook of the university-referenced “68ers” created a split within the remains of the alliance of the labor movement and associated social-political strata with what remained of the Franklin Roosevelt legacy. This was key to the qualitative changes in direction of economy, downward, which are characteristic of the successive, 1969-1981, Nixon, Ford, and Carter administrations: the wrecking of the U.S. dollar and International Monetary System, under Nixon, and the wrecking of the protectionist features of the U.S. domestic economy, under Zbigniew Brzezinski’s Trilateral Commission.

### **The Fourth Phase**

The fourth phase, is represented by the presently doomed system set into motion under Federal Reserve Chairman Alan Greenspan.



EIRNS/Claudio Celani

*Alan Greenspan “crafted the Fourth and fatal phase, leading into the presently threatened, imminent general collapse of the world’s present monetary-financial system.”*

When we take into account the crucial differences in outlook between the two Bush Presidencies, on the one side, and the two terms of President Clinton’s Administration, we find that the common feature which defines 1987-2006 as a continuing downward trend, has been the tendency of the Democrats to regard anything seen as a current trend, as something to treat as an irreversible direction of developments. It was not any among the Presidencies which defined the trends, but, rather, it was as under the Athens of Pericles and his successors: it was the trends which, predominantly, controlled those Presidencies. The reins of actual control of those trends as such, lay in the hands of the trans-Atlantic financier oligarchy.

Ask yourself: how could a majority of voters have been so damned dumb as to vote twice for a Presidential candidate so obviously unsuitable on every conceivable account as George W. Bush, Jr.? It was the trend which moved those voters, not the voters who set the trend. A large ration of the voters thus created a spectacle at the polls which was comparable to the performance of a trained-flea circus. If the latter lustful worship of the presumed inevitable is not abandoned, the U.S.A. and much else is certainly doomed to an early sampling of Hell on Earth.

This Fourth Phase came into being during 1987, in the 1929-style, October collapse of the New York stock bubble. That stock-market crash occurred on the watch of Federal Reserve Chairman Paul Volcker. Volcker’s nominated successor, Alan Greenspan, took charge. It was Greenspan who

crafted the Fourth and fatal phase, leading into the presently threatened, imminent general collapse of the world’s present monetary-financial system.

The Greenspan “bubble,” otherwise known as the “financial derivatives” scam, which has been cast in the tradition of the John Law bubbles of early Eighteenth-Century Europe, has become a highly complicated structure; but, the essence of the problem it represents can be fairly summarized as follows.

The included effect of the process leading into the 1929-style, October 1987 stock-market crash, was the depleting of the cash available to the private banking system. Greenspan’s engineering used the Federal Reserve pumping of a mortgage-based securities bubble in Fannie Mae and Freddie Mac operations, as a way of pumping cash back into the banks. This, and the associated boom in inflationary real-estate speculation, has represented the principal axis of an accelerating inflation in the U.S. and Europe, among other locations. This, combined with the role of Japan’s virtually zero overnight lending rate, has emerged as the base for the build-up of a highly inflationary, implicitly cancerous

mechanism known as “the carry trade.” This operated within a global environment shaped by Greenspan’s role as architect of a system of gamblers’ side-bets, known as financial derivatives, including so-called credit derivatives.

The pumping of cash into the system through gigantic, cancerous real-estate bubbles, such as that around Washington, D.C., aided by the misuse of what is called “M3” by the Federal Reserve system, has been the engine of what has now emerged as global hyperinflation. It is the connection between the role of the Greenspan bubble in mortgage-based securities and the related hyperinflationary spiral in speculative holdings in primary commodities of the world at large, which is the principal benchmark of reference for understanding the rudiments of that presently onrushing, Weimar-style hyperinflationary rush of 2006 which is the pivot of the threatened general collapse of the world system as a whole. This simplifies the way of presenting the process as a whole, but it does not put aside anything essential.

The key for understanding this crisis is the rate of increase of the rate of increase of inflation in the price of petroleum and other primary commodities such as metals.

Any sharpies who run a world-wide or similar John Law-style financial bubble, know that the bubble they are creating must pop and collapse. The intention of the knowing sharpies is to come out with a profit, while the suckers they lure into such investments are looted dry. The present global bubble has precisely that character. By cornering the world market

in petroleum and essential metals, at whatever price they are held, the monopolistic interests controlling these stocks believe that when the world collapses, they, these monopolists, will foreclose upon, and thus own the world as their private holding.

That is the meaning of the soaring prices of petroleum and metals today.

In other words, the present world system is designed to collapse, all to the profit and global political power of the financier cabals which intend to end up virtually owning the physical assets of a bankrupted world.

I am hated by these financier circles, hated and also feared by them since my October 1971 New York public debate with a leading Keynesian Professor of economics, Abba Lerner, who was closely associated with Professor Sidney Hook, et al., as a leader in what is known as the Congress for Cultural Freedom. Most of the troubles afflicting me and my associates during the entire sweep of 1971-2006 to date have been an expression of the hatred and fear of my capabilities among the financier circles behind the Abba Lerner, Sidney Hooks, John Trains, et al. They know that I understand the game as few others outside the leading financier circles do. In their view, ever since my 1971 debate with Lerner, my knowledge, and my willingness to state the relevant facts openly, represents a threat to "their system."

Over years, therefore, I have come to understand those financier circles much better than all but a very few of them understand themselves.

## **The Remedy**

The most significant political facts about me are that I am, first, "an American," and, second, that I know what "American" ought to be understood to mean for any well-informed adult American.

On the surface, this points to the difference between the American System as defined by the U.S. Federal Constitution's definition of our currency, and those of Europe. Whereas European state systems' economies are based on control of governments by concerted private financier influence, expressed as so-called "independent banking systems," the U.S. Constitution system requires the control over the operations of private banking and related financial systems by the Federal government. In other words, whereas European governments often pretend to be sovereign, and sometimes appear to be so, they are actually virtual vassals of privately owned central banking systems, especially under most conditions of imminent or actual economic crisis.

Wherever nations submit to supervision by so-called independent central-banking systems, the functional meaning of the money of those nations is lodged in a form of superstitious belief which assumes that money has some intrinsic value of its own. The fact that the value of money fluctuates does not deprive the believer of the delusion that economic value is a property of money.

In contrast, under the provisions of the U.S. Federal Constitution, money is created by the Federal government through the authority granted for this purpose by an Act of Congress, specifically the U.S. House of Representatives. Therefore, as President Franklin Roosevelt demonstrated anew, the authorization to issue money assumes the character of state-created financial capital, which may be loaned as capital for sundry forms of development of public and private enterprises. Under such a system, the value of an object is not a reflection of the superstitions of "supply and demand," but of the intrinsic usefulness of what is produced. Money issued is thus tamed in its behavior by rules and regulations whose intention is to herd prices within boundaries which amount to imposing a rule of "fair trade," rather than the European oligarchs' "free trade." The regulation of prices and tariffs must ensure the protection of essential investments in public and private capital, and in the value of labor as the latter value is expressed by the physical standard of living of households needed to promote a healthy and productive population among important classes of professionals and others,

The U.S. economy is based on a credit-system, rather than a monetary system. The origin of this design was, chiefly, the influence of Gottfried Leibniz's writings bearing on the subject of a science of physical economy, as this is reflected most notably in such locations as Treasury Secretary Alexander Hamilton's published reports to the U.S. Congress. These were the conceptions which informed Hamilton's ally, and President Franklin Roosevelt's relevant ancestor, Isaac Roosevelt. This is the gist of the thinking which guided President Franklin Roosevelt's grand recovery of the U.S. economy which the policies of Coolidge and Hoover had wrecked.

Therefore, the sudden collapse of the imputed value of money, as that confronts us now, is not a fatal calamity for us, although admittedly a great inconvenience: provided we have the right President and proper composition of the U.S. Congress. We can reorganize the currency, and can manage the transition from a failed currency to a sound one, with no worse than some historically temporary inconveniences. A financial crisis, even a great crisis like that onrushing now, never requires dictatorial measures of political control. There is no warrant for a tyrannical campaign of what President George W. Bush, Jr. calls "killing the tourists." What is required is an orderly financial reorganization of a bankrupt system which must be brought quickly back to a stable and orderly form of renewed life.

That, some of us know how to do, as I do. I, for one, am prepared to do it. I am confident, that within and proximate to our institutions of government, we have the core of knowledge and skill to do the job. As Franklin Roosevelt said of such kinds of crisis: "We have nothing as much to fear as fear itself."

That said, let us now resolve that we shall rally to fix what needs to be fixed. That done, we shall come out of this crisis far better than we entered it.

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Comcast Ch.14  
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T/W Ch.15  
Mon/Thu: 7 pm
- JEFFERSON
- LEWIS  
T/W Ch.99  
Unscheduled pop-ins
- NIAGARA COUNTY  
Adelphia Ch.20  
Thu: 10:35 pm
- ONEIDA  
T/W Ch.99  
Thu: 8 or 9 pm
- PENFIELD Ch.15  
Penfield Comm. TV\*
- QUEENSBURY Ch.71  
Adelphia Ch.71  
Mon: 7 pm
- RIVERHEAD Ch.20  
Thu: 12 Midnight
- ROCHESTER Ch.15  
Charter Ch.76  
Mon: 5 pm
- SCHENECTADY  
TimeWarner Ch.16  
Sat: 1:30 am  
Fri: 1 p.m.
- STATEN ISL.  
TimeWarner  
Thu: 11 pm (Ch.35)  
Sat: 8 am (Ch.34)
- TOMKINS  
Sat,4/1: 6:30/10:30 pm  
Sun,4/2: 9 am
- TRI-LAKES  
Adelphia Ch.2  
Sun: 7 am, 1 pm, 8 pm
- WEBSTER Ch.12  
Wed: 9 pm

## OHIO

- AMHERST  
Adelphia Ch.30  
Sun. - Sat.  
12 Noon & 10 pm
- CUYAHOGA  
Adelphia Ch.21  
Wed: 3:30 pm
- OBERLIN Ch.9  
Tue: 7 pm

## OKLAHOMA

- NORMAN  
Cox Ch.20  
Wed: 9 pm
- OREGON
- LINN/BENTON  
Comcast Ch.29  
Tue: 1 pm  
Thu: 9 pm

- PORTLAND  
Tue: 6 pm (Ch.22)  
Thu: 3 pm (Ch.23)

## RHODE ISLAND

- E.PROV. Ch.18  
Tue: 6:30 pm
- STATEWIDE  
RI Interconnect  
Cox Ch.13  
Tue:10-10:30 am

## TEXAS

- DALLAS  
AT&T Ch.13-B  
Tue: 10:30 pm
- EL PASO COUNTY  
TimeWarner Ch.15  
Wed: 5:05 pm
- HOUSTON  
TimeWarner Ch.17  
TV Max Ch.95  
Wed: 6 pm  
Sat: 9 am
- KINGWOOD  
Cebridge Ch.98  
Wed: 9 pm  
Sat: 9 am

## VERMONT

- GREATER FALLS  
Adelphia Ch.10  
Mon,Wed,Fri: 1 pm
- MONTPELIER  
Adelphia Ch.15  
Tue: 9 pm  
Wed: 3 pm

## VIRGINIA

- ALBERMARLE  
Adelphia Ch.13  
Fri: 3 pm
- ARLINGTON  
Comcast Ch.33  
Mon: 1 pm  
Tue: 9 am
- CHESTERFIELD  
Comcast Ch.6  
Tue: 5 pm
- FAIRFAX Ch.10  
1st Wed: 1 pm
- LOUDOUN  
Adelphia Ch.23  
Wed: 6 pm
- ROANOKE Ch.19  
Tue: 7 pm  
Thu: 2 pm

## WASHINGTON

- KING COUNTY  
Comcast Ch.29/77  
Wed: 4 pm
- TRI CITIES  
Ch.12/13/99  
Mon: 12 Noon  
Thu: 8:30 pm

## WISCONSIN

- MADISON Ch.4  
Tue: 1 pm monthly
- MARATHON  
Charter Ch.10  
Thu: 9:30 pm  
Fri: 12 noon

## WYOMING

- GILLETTE  
Bresnan Ch.31  
Tue: 7 pm

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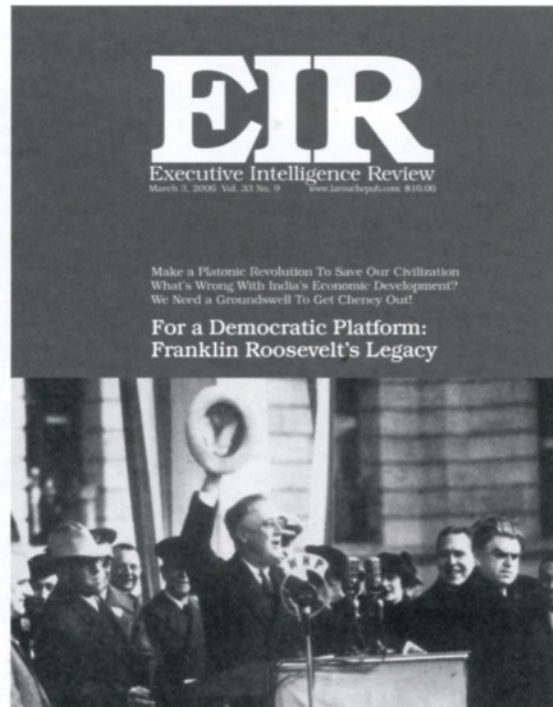
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